Tabled Budget 2015/16 – 2016/17



Nkangala District Municipality (DC 31)

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Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NDM	Nkangala District Municipality
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

FOREWORD TO BUDGET BY THE HONOURABLE EXECUTIVE MAYOR, CLR TD NGWENYA

It gives me immense pleasure to once again report to our stakeholders that the partnership between Nkangala District Municipality and our local municipalities has once again proved successful in assisting the district to plan it's responses to the developmental aspirations of the people for this financial year.

We have steadfastly continued with the trend of consulting on the IDP because we believe that, as the sphere of government that is closest to the people, we carry a pronounced obligation to respond directly and positively to needs of our communities.

We have to frequently reposition our development and service delivery programmes and objectives to ensure that they address the revised needs of our stakeholders and communities and shifting socio-economic dynamics.

Our IDP as well as the budget is thus a direct result of yet another extensive consultation process. They are an expression of the general and specific interests of our people, and a mirror that reflects the Nkangala electorate, as expressed during our consultation and public participation processes.

Armed with the Key Performance beacons contained in our IDP document, Nkangala District Municipality is once more embarking on a development path that is meant to address the needs of our people, to create better lives for all and transform Nkangala District into the kind of home that they aspire for.

Although much still needs to be done to deal with the increasingly obstinate triple challenges of poverty, inequality and unemployment and to create an environment that is conducive for growth, I am confident that this budget will provide us with the necessary vehicle to carry out the mandate we have received from our people.

This budget gives expression to the strategic thrusts of the District, namely:

- Deepen democracy and promote good governance through the implementation of the Back to Basics principles;
- Address job creation and accelerate economic development;

- Unlocking the potential emerging contractors, SMME and co-operatives, including women, the youth and people living with disabilities;
- Consolidate HIV and AIDS initiatives through the implementation of comprehensive strategy in partnership with sector departments, business and all stakeholders;
- Ensure financial sustainability and the attainment and maintenance of a clean audit;
- Promote strategic planning and management through the annual revision of the Budget and the IDP and to ensure the district's participation in Inter-governmental Forums.

The district places a high premium on public participation as it rolls out several of its service delivery projects.

The District does not limit public participation to the legislated meetings between the public and the institution to discuss the Annual IDP Budget but also extend the process to other menial tasks, awareness meetings and special meetings with various communities and other role players, including traditional leaders.

The district will continue to work hard in glove with government department and private entities to provide desired services to the communities of Nkangala and to deal with the struggle against the triple challenges of inequality, poverty and unemployment.

The IDP and Budget of the district both serve as broad strategic documents and guides for implementation of council priorities. Out IDP and Budget will go a long way in improving the quality of life for our communities in our local municipalities by broadening accessibility and alleviating poverty.

The District remains committed to the continued provision of excellent services within its jurisdiction and we remain committed to ensuring better lives for all the people of the District.

1.2 Council Resolutions

On 25 March 2015 the Council of Nkangala District Municipality met in the Council Chambers of Nkangala District Municipality to consider the tabling of the draft annual budget of the municipality for the financial year 2015/16. The following resolutions are tabled with the draft budget:

1. The Council of Nkangala District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approved:

    1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
        1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 10 on page 13;
        1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 11 on page 15;
        1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 12 on page 17; and
        1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15 on page 22.

    1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
        1.2.1. Budgeted Financial Position as contained in Table 16 on page 24;
        1.2.2. Budgeted Cash Flows as contained in Table 17 on page 26;
        1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 18 on page 27;
        1.2.4. Asset management as contained in Table 20 on page 29; and
        1.2.5. Basic service delivery measurement as contained in Table 23 on page 38.

    1.3. The project priority list as submitted by local municipalities in table 6 page 9 was confirmed.
    1.4. The organogram attached on pages 84 to 96 with new positions aimed at strengthening the organisations' performance to ensure that the priorities set out in the IDP and matters raised by the Auditor General, be noted
    1.5. The Budget timetable for 2015/2016 attached as figure 9 page 97 was approved.

NKANGALA DISTRICT MUNICIPALITY
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FAX 013-249-2114 (Finance)
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FAX 013-249-2136 (Social Services)

My Verw./My Ref: (Mohlala L/bib) 27 March 2015
U Verw./Your Ref:

MUNICIPAL MANAGER
MANAGER: FINANCE
ACTING MANAGER: CORPORATE SERVICES

Sir/Madam

DM348/03/2015

DRAFT ANNUAL BUDGET 2015/16

In this regard Council, at its 7th (2014/2015) Council meeting held on 25 March 2015 resolved as follows:

1 **THAT** the draft annual budget for the financial year 2015/16 and the multi-year and single-year capital appropriations attached hereto as **ANNEXURE "NNNN" page 2465 to 2567** be noted in terms of section 16(2) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) as set out in the following tables:

i. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in **ANNEXURE "NNNN" page 2485 and 2486**.

ii. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in **ANNEXURE "NNNN" page 2487 and 2488**.

iii. Budgeted Financial Performance (revenue by source and expenditure by type) as contained **ANNEXURE "NNNN" 2489 to 2492** and;

iv. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained **ANNEXURE "NNNN" page 2493 to 2495**.

2 **THAT** the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and service delivery targets be noted as set out in the following tables:

i. Budgeted Financial Position as contained in **ANNEXURE "NNNN" page 2496 and 2497**.

ii. Budgeted Cash Flows as contained in **ANNEXURE "NNNN" page 2498**.

iii. Cash backed reserves and accumulated surplus reconciliation as contained in **ANNEXURE "NNNN" page 2499 and 2500**.

iv. Asset management as contained in **ANNEXURE "NNNN" page 2501**.

3 **THAT** the quality certification of the draft budget signed by the Acting Municipal Manager as required by section 5 of the Municipal Budget and Reporting regulations attached hereto as **ANNEXURE "NNNN" page 2554** is noted.

4 **THAT** the organisation chart attached as **ANNEXURE "WWW" page 1490 to 1501** is noted.

5 **THAT** the Budget timetable for 2016/2017 attached as **ANNEXURE "NNNN" page 2565 to 2567** is noted.

Your attention in this regard will be appreciated.

Yours faithfully

27/3/2015

MM SKOSANA
MUNICIPAL MANAGER

1.3 Executive Summary

The application of sound financial management principles for the compilation of the District's financial plan is essential and critical to ensure that the District remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The District's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. Key areas where savings were realized were on operational administrative expenditure.

The District has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 70, 72, 74 and 75 were used to guide the compilation of the 2015/16 MTREF.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
    - Special Projects;
    - Consultant Fees;
    - Furniture and office equipment;
    - Special Events;
    - Refreshments and entertainment;
    - Ad-hoc travelling; and
    - Subsistence, Travelling & Conference fees (national & international).

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16 MTREF

Description	Adjustment Budget year 2014/15 Millions	Budget year 2015/16 Millions	Budget year 2016/17 Millions	Budget year 2017/18 Millions
Total Operating Revenue	348,280	351 471	352 280	359 218
Total Operating Expenditure	432 068	500 873	381 961	348 111
Surplus/ (Deficit) for the year	(83 788)	(149 402)	(29 682)	11 107
Transfers recognised – capital or Contributed Assets	510	2 010	2 076	2 180
Surplus/ (Deficit) for the year after transfers recognised and contributed assets	(83 278)	(147 392)	(27 606)	13 287
Total Capital Expenditure	33 346	50 312	6 493	4 346
Total Loan Redemption	6,130	3 426	3 864	4 057

Total operating revenue has grown by 0.92 per cent or R3,191 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by 0.23 and 1.97 per cent respectively, equating to a total revenue growth of R10,938 million over the MTREF when compared to the 2014/15 financial year.

Total operating expenditure for the 2015/16 financial year has been appropriated at R500,873 million and translates into a budgeted deficit of R149,402 million, which will be funded from the accumulated operating surpluses. When compared to the 2014/15 Adjustments Budget, operational expenditure has increased by 15.92 per cent in the 2015/16 budget and decreased by 23.74 for the 2015/16 budget and decrease with 8.86 per cent for the 2017/18 budget year of the MTREF.

The capital budget of R50,312 million for 2015/16 increased with 50.88 per cent compared to the 2014/15 Adjustment Budget. The capital programme decreases to R6,493 million in the 2016/17 financial year and decreased to R4,346 in 2017/18. The capital budget will be funded from internally generated funds and accumulated surplus.

1.4 Operating Revenue Framework

For Nkangala District Municipality to continue improving the quality of services provided to its citizens and local municipalities it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District and continued economic development;
- Efficient revenue management,;

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Out-come	Audited Out-come	Audited Out-come	Ori-ginal Budget	Adjusted Budget	Full Year Fore-cast	Pre-audit out-come	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance										
Investment revenue	30 257	29 656	28 431	17 435	14 285	14 115	10 605	15 757	15 380	15 399
Transfers recognised - operational	295 110	304 562	313 813	325 497	333 248	331 698	328 754	334 683	335 805	342 677
Other own revenue	4 786	3 338	2 294	775	747	562	422	1 031	1 095	1 142
Total Revenue (excluding capital transfers and contributions)	330 153	337 556	344 538	343 707	348 280	346 376	339 780	351 471	352 280	359 218

Table 3 Percentage growth in revenue by main revenue source

Revenue R thousands	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Investment revenue	14 285	15 757	9.34	15 380	2.45	15 399	0.12
Transfers recognised – operational	333 248	334 683	0.43	335 805	0.33	342 677	2.01
Other own revenue	747	1 031	27.55	1 095	5.82	1 142	4.15
Total Revenue (excluding capital transfers and contributions)	348 280	351 471	0.91	352 280	0.23	359 218	1.93

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Operating Grants form a significant percentage of the revenue basket for the District. In the 2015/16 financial year, the operating grants total R334,683 million and constitute 95.22 per cent. This increases to R335,805 million and R342,677 million in the respective financial years of the MTREF. The main portion of the operating grants is the RSC Levy Replacement grant, which can be classified as own revenue as well because it replaced the RSC Levies that were abolished in 2006.

Table 4 Operating Transfers and Grant Receipts

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RSC Levy Replacement Grant and Equitable Share	291 974	299 711	308 850	318 017	318 017	318 017	326 223	333 595	340 394
Finance Management Grant	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250
Municipal Systems Improvement	1 000	1 000	890	934	934	934	930	960	1 033
Expanded Public Works Program	–	1 214	1 000	2 121	2 121	2 121	2 280	–	–
Provincial Treasury Data cleansing	199	1 381	1 763	3 175	5 363	3 813	4 000	–	–
Pulblic donation mining house	688	6	60	–	5 563	5 563	–	–	–
Total Grant Revenue (excluding capital transfers and contributions)	295 110	304 562	313 813	325 497	333 248	331 698	334 683	335 805	342 677

Investment revenue is the second largest revenue source totalling 4.48 per cent or R15,757 million and decreases to R15,399 million by 2017/18. The third largest source is 'other revenue' which consists of various items such as income received from discounts, sale of tender documents and sundry income.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, petrol, diesel, chemicals, cement etc. The current challenge facing the District is managing the gap between cost drivers and revenue income, as any shortfall must be made up by either operational efficiency gains or service level reductions.

1.5 Operating Expenditure Framework

The District's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The contribution to local municipalities is aligned to the asset IDP and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the contribution to local municipalities and other core services; and
- Project lists submitted by local municipalities.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of operating expenditure by standard classification item

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
Expenditure by Type R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full-year Forecast	Pre-audit out-come	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Employee costs	38 021	59 242	56 624	117 003	107 194	67 617	45 078	115 518	122 010	126 913
Remuneration of councillors	10 255	10 885	11 598	16 076	16 076	11 773	7 849	16 189	17 079	18 018
Debt Impairment	18	0	–	15	–	–	–	–	–	–
Depreciation & asset impairment	7 557	8 220	8 315	9 572	8 225	7 540	5 027	7 678	6 695	6 507
Finance charges	5 973	5 295	4 557	4 400	3 800	2 815	1 876	1 989	1 554	1 533
Other Materials	(19 080)	(20 065)	(8 551)	(27 747)	2 535	1 568	1 046	3 196	3 563	3 688
Contracted Services	36 712	74 435	72 040	113 196	61 167	44 349	29 566	101 688	78 586	78 307
Transfers and grants	230 288	203 904	231 013	205 742	187 953	86 487	57 658	226 690	121 137	83 028
Other expenditure	22 499	25 685	35 369	50 134	45 118	28 158	18 772	27 926	31 337	30 117
Loss on sale of Property	–	–	6 928	–	–	–	–	–	–	–
Total Expenditure	332 244	367 602	417 893	488 390	432 068	250 308	166 872	500 873	381 961	348 111

The budgeted allocation for employee related costs for the 2015/16 financial year totals R115,518 million, which equals 23.06 of the total operating expenditure. Based on circulars 74 & 75, salary increases have been factored into this budget at a percentage increase of 4.40 per cent for the

2015/16 financial year. An annual increase of CPI + 0.25% per cent has been included in the two outer years of the MTREF.

Provision has been made in the budget to include positions in the organogram to ensure that the priorities set out in the IDP and matters raised by the Auditor General are adequately attended to. These positions aim to strengthen accelerate Budget expenditure.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the District's budget and allowed for an increase rate of 5.8 per cent.

The provision of debt impairment was determined based on an annual collection rate of 99 per cent and the Credit Control and Debt Collection Policy of the District. For the 2015/16 financial year this amount is immaterial. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R7,678 million for the 2015/16 financial and equates to 1.53 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.40 per cent (R1,989 million) of operating expenditure excluding annual redemption for 2015/16 and decreases to R1,533 million by 2017/18.

Other materials comprise of amongst others the purchase of materials for maintenance, cleaning materials and chemicals. In line with the District's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the District's infrastructure. For 2015/16 the appropriation against this group of expenditure has grown to R3,196 million and constitutes 0.64% of total operating expenditure.

Other expenditure comprises of various line items relating to the daily operations of the municipality. Other expenditure decreased with 38.10 per cent for 2015/16 and increase at 0.12 and decreased at 3.89 per cent for the two outer years. Further details relating to contracted services can be seen in table 49 MBRR SA1 (see page 76)

The following graphical presentation gives a breakdown of the main expenditure categories for the 2015/16 financial year.

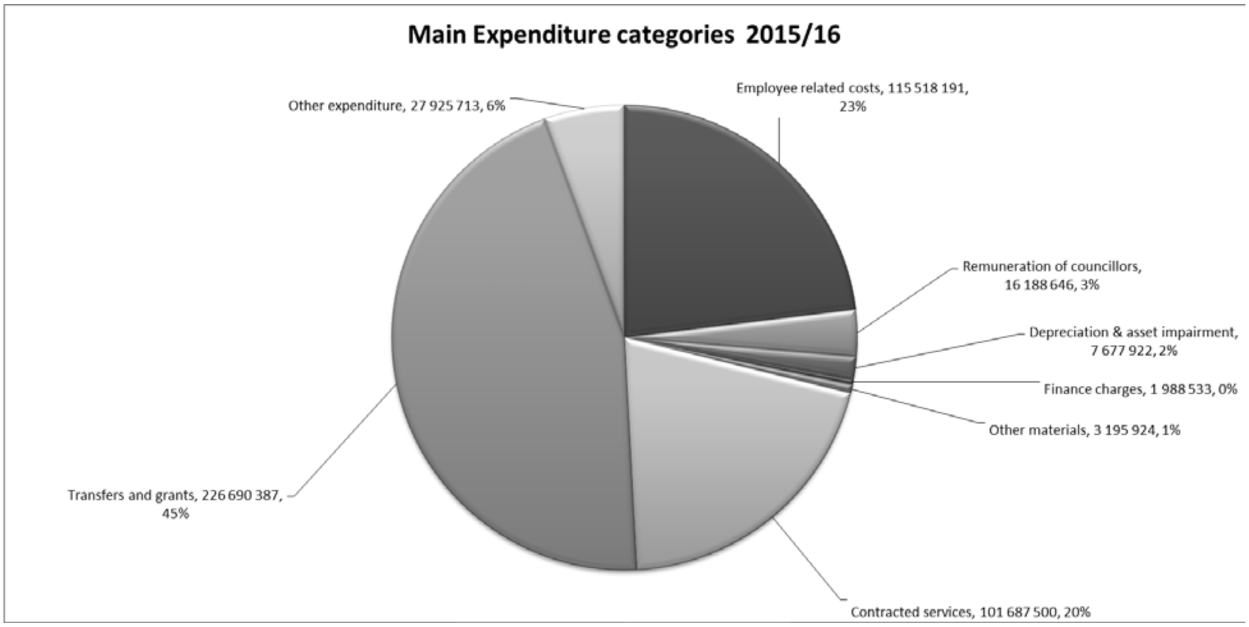


Figure 1 Main operational expenditure categories for the 2015/16 financial year

1.5.1 Priority given to Contribution to Local Municipalities

The prioritised projects submitted by Local Municipalities as contained in the approved 2015/2016 IDP of the District on page 233 to 251 to improve service delivery and eradicate backlogs was the main focus for this expenditure category.

The following table gives a breakdown of the main expenditure categories per Local Municipality for the 2015/16 financial year.

Table 6 Breakdown of the main expenditure categories per Local Municipality

Local Municipality	Sum of Total Budget	Sum of 2017 Draft Budget	Sum of 2018 Draft Budget
Dr JS Moroka	**52 230 992**	**16 920 000**	**15 000 000**
Nkangala - Community and Social Services	3 500 000	-	-
Nkangala - Finance and Admin	1 400 000	920 000	-
Nkangala - Planning and Development	3 500 000	-	-
Nkangala - Public Safety	8 647 462	-	-
Nkangala - Road Transport	20 726 965	7 000 000	5 000 000
Nkangala - Water	14 456 565	9 000 000	10 000 000
Emakhazeni LM	**22 786 146**	**12 340 000**	**11 440 000**
Nkangala - Community and Social Services	400 000	420 000	440 000
Nkangala - Finance and Admin	900 000	920 000	-
Nkangala - Public Safety	4 500 000	-	-
Nkangala - Road Transport	5 999 257	2 000 000	5 000 000
Nkangala - Sport and Recreation	550 000	-	-
Nkangala - Waste Water Management	3 000 000	5 000 000	3 000 000
Nkangala - Water	7 436 889	4 000 000	3 000 000
Emalahleni LM	**16 787 321**	**17 479 327**	**13 752 500**
Nkangala - Community and Social Services	1 902 500	120 000	150 000
Nkangala - Finance and Admin	3 400 000	920 000	-
Nkangala - Planning and Development	3 800 000	2 622 500	8 602 500
Nkangala - Road Transport	5 396 827	11 396 827	5 000 000
Nkangala - Waste Water Management	-	2 420 000	-
Nkangala - Water	2 287 994	-	-
Nkangala	**22 448 500**	**22 720 000**	**24 335 000**
Nkangala - Community and Social Services	3 078 500	3 410 000	3 700 000
Nkangala - Finance and Admin	500 000	-	-
Nkangala - Health	340 000	390 000	435 000
Nkangala - Planning and Development	18 330 000	18 700 000	20 200 000
Nkangala - Sport and Recreation	200 000	220 000	-
Steve Tshwete LM	**55 104 293**	**12 334 488**	**3 000 000**
Nkangala - Community and Social Services	2 605 000	-	-
Nkangala - Finance and Admin	900 000	420 000	-
Nkangala - Planning and Development	900 000	-	-
Nkangala - Road Transport	11 662 697	11 914 488	3 000 000
Nkangala - Waste Water Management	15 079 815	-	-
Nkangala - Water	23 956 780	-	-
Thembisile LM	**36 785 688**	**24 588 000**	**6 500 000**
Nkangala - Community and Social Services	600 000	-	-
Nkangala - Finance and Admin	3 800 000	920 000	-
Nkangala - Planning and Development	6 233 782	3 480 000	1 500 000
Nkangala - Public Safety	414 008	2 000 000	-
Nkangala - Road Transport	16 525 898	13 558 000	5 000 000
Nkangala - Sport and Recreation	-	3 130 000	-
Nkangala - Waste Water Management	3 000 000	-	-
Nkangala - Water	6 212 000	1 500 000	-
Victor Khanye LM	**20 547 447**	**14 755 000**	**9 000 000**
Nkangala - Community and Social Services	2 605 000	-	-
Nkangala - Finance and Admin	2 402 860	420 000	-
Nkangala - Road Transport	10 030 097	12 335 000	9 000 000
Nkangala - Waste Water Management	3 509 490	2 000 000	-
Nkangala - Water	2 000 000	-	-
Grand Total	**226 690 387**	**121 136 815**	**83 027 500**

1.5.2 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the District's current infrastructure, which amongst others include the main office building of the District, the 2015/16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the repairs and maintenance plan of the District. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering that the only cost driver for the District is contracted services, the following table is a consolidation of all the expenditures associated with repairs and maintenance. The repairs and maintenance is 3.38% of the total operating expenditure.

Table 7 Operational repairs and maintenance

The table below provides a breakdown of the repairs and maintenance:

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Depreciation & asset impairment	7 557	8 220	8 315	9 572	8 225	7 540	5 027	7 678	6 695
Repairs and Maintenance	28 864	35 520	54 886	44 525	18 695	18 475	16 915	15 670	10 439

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 8 2015/16 Medium-term capital budget per asset class

Asset type	Sum of 2015/16 Budget	Sum of 2016/17 Draft Budget	Sum of 2017/18 Draft Budget
Cost - Buildings	22 743 556	-	-
Cost - Computer Software	5 000 000	3 000 000	2 500 000
Cost - Furniture and Office Equipment	15 028 365	2 061 945	817 500
Cost - Machinery and Equipment	3 290 000	931 250	1 028 875
Cost - Transport Assets	4 250 000	500 000	-
Grand Total	**50 311 921**	**6 493 195**	**4 346 375**

For 2015/16 an amount of R22,744 million has been appropriated for the development of Infrastructure in terms of the fire stations at Dr JS Moroka and Thembisile Hani, which represents 45.20 per cent of the total capital budget.

Total assets represent R50,312 million of the total budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 20 MBRR A9 (Asset Management) on page 28. In addition to the MBRR Table A9, MBRR Tables SA34aand SA34c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 94 and 95). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 48 MBRR SA35 on page 96. This table shows that future operational costs associated with the capital programme totals R24,499 million in 2015/16 and escalates to R22,261 million by 2016/17. This concomitant operational expenditure is expected to escalate to R16,843 million by 2017/18. It needs to be noted that as part of the 2015/16 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 9 MBRR Table A1 - Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–	–	–	–
Investment revenue	30 257	29 656	28 431	17 435	14 285	14 115	10 605	15 757	15 380	15 399
Transfers recognised - operational	295 110	304 562	313 813	325 497	333 248	331 698	328 754	334 683	335 805	342 677
Other own revenue	4 786	3 338	2 294	775	747	562	422	1 031	1 095	1 142
Total Revenue (excluding capital transfers and contributions)	330 153	337 556	344 538	343 707	348 280	346 376	339 780	351 471	352 280	359 218
Employee costs	38 021	59 242	56 624	117 003	107 194	67 617	45 078	115 518	122 010	126 913
Remuneration of councillors	10 255	10 885	11 598	16 076	16 076	11 773	7 849	16 189	17 079	18 018
Depreciation & asset impairment	7 557	8 220	8 315	9 572	8 225	7 540	5 027	7 678	6 695	6 507
Finance charges	5 973	5 295	4 557	4 400	3 800	2 815	1 876	1 989	1 554	1 533
Materials and bulk purchases	(19 080)	(20 065)	(8 551)	(27 747)	2 535	1 568	1 046	3 196	3 563	3 688
Transfers and grants	230 288	203 904	231 013	205 742	187 953	86 487	57 658	226 690	121 137	83 028
Other expenditure	59 230	100 120	114 337	163 345	106 285	72 507	48 338	129 613	109 923	108 424
Total Expenditure	332 244	367 602	417 893	488 390	432 068	250 308	166 872	500 873	381 961	348 111
Surplus/(Deficit)	(2 091)	(30 046)	(73 355)	(144 683)	(83 788)	96 068	172 909	(149 402)	(29 682)	11 107
Transfers recognised - capital	–	–	–	–	510	510	510	2 010	2 076	2 180
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287
Capital expenditure & funds sources										
Capital expenditure	7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Transfers recognised - capital	–	–	–	–	–	–	–	–	–	–
Public contributions & donations	–	6	–	–	–	–	–	–	–	–
Borrowing	808	–	–	–	–	–	–	–	–	–
Internally generated funds	7 064	10 017	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Total sources of capital funds	7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Financial position										
Total current assets	705 685	675 111	591 111	145 500	145 500	709 054	709 054	521 472	495 630	511 384
Total non current assets	124 649	123 564	133 213	256 293	273 492	143 950	143 950	157 040	154 838	152 177
Total current liabilities	62 965	65 795	68 011	36 505	37 081	20 405	23 271	24 075	23 637	23 444
Total non current liabilities	47 034	43 659	40 448	42 011	42 011	40 448	40 448	12 545	12 545	12 545
Community wealth/Equity	720 335	689 221	615 866	350 903	347 018	789 284	789 284	641 892	614 287	627 573
Cash flows										
Net cash from (used) operating	(188 646)	31 866	(33 122)	(135 111)	(75 053)	63 226	137 553	(112 666)	9 495	48 940
Net cash from (used) investing	(38 855)	(12 676)	66 198	(33 853)	(33 346)	(33 756)	(33 756)	(84 068)	(6 493)	(4 346)
Net cash from (used) financing	46 474	(5 658)	(6 253)	(3 966)	(3 966)	(19 108)	(19 108)	(3 426)	(3 864)	(4 057)
Cash/cash equivalents at the year end	285 125	298 656	325 478	152 548	213 114	335 839	410 166	125 318	124 456	164 993
Cash backing/surplus reconciliation										
Cash and investments available	486 903	497 138	435 539	207 122	207 122	538 221	538 221	304 465	278 623	304 465
Application of cash and investments	127 700	71 487	72 189	33 039	33 039	1 085 365	1 439 519	27 501	27 501	27 501
Balance - surplus (shortfall)	359 202	425 651	363 351	174 083	174 083	(547 144)	(901 298)	276 963	251 121	276 963
Asset management										
Asset register summary (WDV)	–	354	851	765	5 083	787	5 000	5 000	3 000	2 500
Depreciation & asset impairment	7 557	8 220	8 315	9 572	8 225	7 540	7 678	7 678	6 695	6 507
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	28 864	35 520	54 886	44 525	18 695	18 475	16 915	16 915	15 670	10 439

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the District's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was paying much attention to managing this aspect of its finances, and consequently all of its obligations are cash-backed. This places the municipality in a very positive financial position. Cash-backed surplus will decreased to R164,993 million in 2017/18, which is an indication that the NDM operational expenditure needs to be carefully scrutinized and either administrative operational expenditure or contributions to Local Municipalities needs to be decreased.

Table 10Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard										
Governance and administration		329 153	336 556	343 648	342 773	347 856	345 952	353 481	354 356	361 398
Executive and council		–	–	–	–	–	–	20	21	22
Budget and treasury office		329 153	336 556	343 648	342 773	347 856	345 952	353 461	354 335	361 376
Corporate services		–	–	–	–	–	–	–	–	–
Community and public safety		–	–	–	–	–	–	–	–	–
Community and social services		–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		1 000	1 000	890	934	934	934	–	–	–
Planning and development		1 000	1 000	890	934	934	934	–	–	–
Road transport		–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		–	–	–	–	–	–	–	–	–
Electricity		–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	330 153	337 556	344 538	343 707	348 790	346 886	353 481	354 356	361 398
Expenditure - Standard										
Governance and administration		61 926	79 634	103 942	148 543	147 361	100 707	144 404	146 105	150 680
Executive and council		36 139	53 439	58 758	78 265	87 541	57 849	79 726	84 088	89 675
Budget and treasury office		17 103	17 093	25 352	40 623	39 412	26 554	35 451	27 911	23 898
Corporate services		8 684	9 102	19 832	29 656	20 408	16 304	29 226	34 106	37 107
Community and public safety		19 159	21 328	37 796	73 829	57 831	32 372	72 353	61 838	60 716
Community and social services		–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		18 390	19 533	31 883	43 749	35 485	23 148	44 897	33 108	31 643
Housing		–	–	–	–	–	–	–	–	–
Health		770	1 795	5 913	30 080	22 346	9 224	27 456	28 730	29 074
Economic and environmental services		251 026	265 685	275 045	248 904	209 881	109 547	270 596	168 519	131 215
Planning and development		250 451	265 305	274 814	247 469	208 614	109 007	270 596	168 519	131 215
Road transport		–	–	–	–	–	–	–	–	–
Environmental protection		575	380	231	1 435	1 267	540	–	–	–
Trading services		–	–	–	–	–	–	3 520	3 500	3 500
Electricity		–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	3 520	3 500	3 500
Waste management		–	–	–	–	–	–	–	–	–
Other	4	133	955	1 110	17 114	16 994	7 682	10 000	2 000	2 000
Total Expenditure - Standard	3	332 244	367 602	417 893	488 390	432 068	250 308	500 873	381 961	348 111
Surplus/(Deficit) for the year		(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	(147 392)	(27 606)	13 287

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC31 Nkangala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote	1									
Vote 1 - Council General and Executive		–	–	–	–	–	–	20	21	22
Vote 2 - Municipal Manager Town Secretary and Chie		–	–	–	–	–	–	–	–	–
Vote 3 - Finance		329 153	336 556	343 648	342 773	347 856	345 952	353 461	354 335	361 376
Vote 4 - Social Services		–	–	–	–	–	–	–	–	–
Vote 5 - Local Economic Development		–	–	–	–	–	–	–	–	–
Vote 6 - Development and Planning		1 000	1 000	890	934	934	934	–	–	–
Vote 7 - Technical Services		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	330 153	337 556	344 538	343 707	348 790	346 886	353 481	354 356	361 398
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Council General and Executive		23 445	30 802	40 857	49 610	62 225	43 186	44 620	46 530	49 673
Vote 2 - Municipal Manager Town Secretary and Chie		21 378	31 739	37 732	58 311	45 724	30 967	64 223	71 544	77 108
Vote 3 - Finance		17 103	17 093	25 352	40 623	39 412	26 554	35 561	28 031	23 898
Vote 4 - Social Services		19 734	21 708	38 027	75 264	59 098	32 913	72 353	61 838	60 716
Vote 5 - Local Economic Development		3 478	10 256	7 508	38 006	40 187	20 465	52 404	37 207	46 774
Vote 6 - Development and Planning		(20)	30 409	1 496	50 259	22 993	13 923	27 757	18 435	17 528
Vote 7 - Technical Services		247 126	225 595	266 920	176 318	162 428	82 300	203 955	118 376	72 414
Total Expenditure by Vote	2	332 244	367 602	417 893	488 390	432 068	250 308	500 873	381 961	348 111
Surplus/(Deficit) for the year	2	(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	(147 392)	(27 606)	13 287

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the District. This means it is possible to present the operating surplus or deficit of a vote.

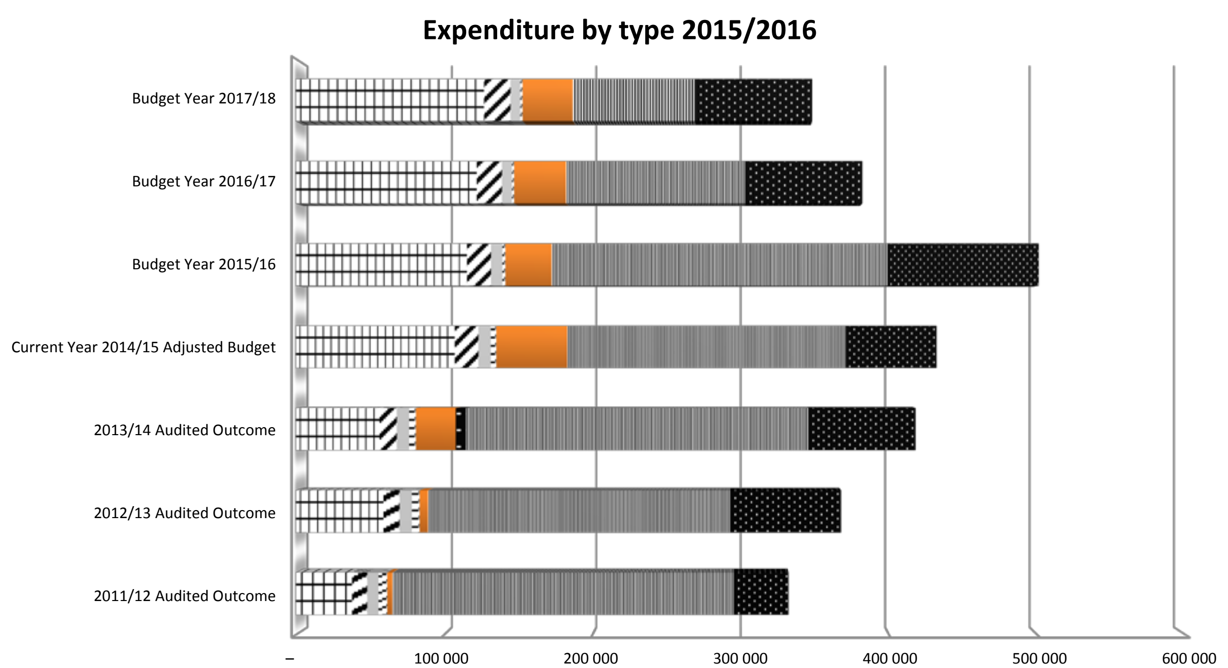
Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC31 Nkangala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	–	–	–
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		256	130	86	110	87	72	54	154	164	172
Interest earned - external investments		30 257	29 656	28 431	17 435	14 285	14 115	10 605	15 757	15 380	15 399
Interest earned - outstanding debtors		21	1	0	5	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		–	–	–	–	–	–	–	–	–	–
Licences and permits		–	–	–	–	–	–	–	–	–	–
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		295 110	304 562	313 813	325 497	333 248	331 698	328 754	334 683	335 805	342 677
Other revenue	2	4 509	3 208	2 207	660	660	490	367	877	931	971
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		330 153	337 556	344 538	343 707	348 280	346 376	339 780	351 471	352 280	359 218
Expenditure By Type											
Employee related costs	2	38 021	59 242	56 624	117 003	107 194	67 617	45 078	115 518	122 010	126 913
Remuneration of councillors		10 255	10 885	11 598	16 076	16 076	11 773	7 849	16 189	17 079	18 018
Debt impairment	3	18	0	–	15	–	–	–	–	–	–
Depreciation & asset impairment	2	7 557	8 220	8 315	9 572	8 225	7 540	5 027	7 678	6 695	6 507
Finance charges		5 973	5 295	4 557	4 400	3 800	2 815	1 876	1 989	1 554	1 533
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8	(19 080)	(20 065)	(8 551)	(27 747)	2 535	1 568	1 046	3 196	3 563	3 688
Contracted services		36 712	74 435	72 040	113 196	61 167	44 349	29 566	101 688	78 586	78 307
Transfers and grants		230 288	203 904	231 013	205 742	187 953	86 487	57 658	226 690	121 137	83 028
Other expenditure	4, 5	22 499	25 685	35 369	50 134	45 118	28 158	18 772	27 926	31 337	30 117
Loss on disposal of PPE		–	–	6 928	–	–	–	–	–	–	–
Total Expenditure		332 244	367 602	417 893	488 390	432 068	250 308	166 872	500 873	381 961	348 111
Surplus/(Deficit)		(2 091)	(30 046)	(73 355)	(144 683)	(83 788)	96 068	172 909	(149 402)	(29 682)	11 107
Transfers recognised - capital		–	–	–	–	510	510	510	2 010	2 076	2 180
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R351,471 million in 2015/16 and escalates to R359,218 million by 2017/18. This represents a year-on-year increase of 0.92 per cent for the 2015/16 financial year, 0.23 per cent for the 2016/17 and 1.97 per cent for the 2017/18 financial year.
2. Operating Grants form a significant percentage of the revenue basket for the District. In the 2015/16 financial year, the operating grants total R334,683 million or 95.22 per cent. This increases to R335,805 million and R342,677 million in the respective financial years of the MTREF. Operating Grants includes the RSC Levy Replacement, local government equitable share and other operating grants from national government.
3. Investment revenue is the second largest revenue source totalling 4.48 per cent or R15,757 million and decreases to R15,399 million by 2017/18. The third largest source is 'other revenue' which consists of various items such as income received from discounts, sale of tender documents and sundry income.
4. The following graph illustrates the major expenditure items per type.



	2011/12 Audited Outcome	2012/13 Audited Outcome	2013/14 Audited Outcome	Current Year 2014/15 Adjusted Budget	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Employee related costs	38021 336	59242 363	56623 897	107193 879	115518 191	122010 381	126912 571
Remuneration of councillors	10254 697	10884 898	11598 147	16076 270	16188 646	17079 021	18018 367
Debt impairment							
Depreciation & asset impairment	7556 871	8220 174	8315 362	8225 000	7677 922	6694 707	6507 271
Finance charges	5973 380	5295 199	4557 206	3799 607	1988 533	1553 841	1533 057
Other expenditure	3437 171	5620 587	26817 141	47653 209	31121 637	34900 461	33805 196
Loss on disposal of PPE	-	-	6928 416				
Transfers and grants	230288 150	203903 892	231013 320	187952 771	226690 387	121136 815	83027 500
Contracted services	36712 494	74434 973	72039 554	61167 024	101687 500	78586 250	78307 487

Figure 2 Expenditure by major type

5. Transfers and grants is the main expenditure type, which are the Contribution to Local Municipalities an amounts to R226,690 million for the 2015/16 financial year.

   The Contribution to Local Municipalities can be summarised below.

Table 13 Contributions to Local Municipalities per municipality

The following table illustrates the contribution for local municipalities for the 2015/16, 2016/17 and 2017/18 financial years:

Local Municipality	Sum of 2015/16 Budget	Sum of 2016/17 Draft Budget	Sum of 2017/18 Draft Budget
Dr JS Moroka	52 230 992	16 920 000	15 000 000
Emakhazeni LM	22 786 146	12 340 000	11 440 000
Emalahleni LM	16 787 321	17 479 327	13 752 500
Nkangala	22 448 500	22 720 000	24 335 000
Steve Tshwete LM	55 104 293	12 334 488	3 000 000
Thembisile LM	36 785 688	24 588 000	6 500 000
Victor Khanye LM	20 547 447	14 755 000	9 000 000
Grand Total	**226 690 387**	**121 136 815**	**83 027 500**

Table 14 Indicative - Contributions to Local Municipalities per municipality

Row Labels	Sum of Total Budget	Sum of 2017 Draft Budget	Sum of 2018 Draft Budget
Allocations In-kind - District Municipalities	**226 690 386.59**	**121 136 814.71**	**83 027 500.00**
Dr JS Moroka	52 230 991.64	16 920 000.00	15 000 000.00
Emakhazeni LM	22 786 145.76	12 340 000.00	11 440 000.00
Emalahleni LM	16 787 320.70	17 479 326.71	13 752 500.00
Nkangala	22 448 500.00	22 720 000.00	24 335 000.00
Steve Tshwete LM	55 104 293.09	12 334 488.00	3 000 000.00
Thembisile LM	36 785 688.23	24 588 000.00	6 500 000.00
Victor Khanye LM	20 547 447.17	14 755 000.00	9 000 000.00
Grand Total	**226 690 386.59**	**121 136 814.71**	**83 027 500.00**

6. Employee related costs and contribution to local municipalities are the main cost drivers within the district.

Table 15 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

DC31 Nkangala - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote											
Single-year expenditure *to be appropriated*	2										
Vote 1 - Council General and Executive		1 077	291	48	1 561	2 731	–	–	3 910	1 441	1 027
Vote 2 - Municipal Manager Town Secretary and Chie		596	1 204	246	4 190	2 393	–	–	19 617	5 010	3 125
Vote 3 - Finance		115	25	–	313	313	–	–	39	42	45
Vote 4 - Social Services		5 933	6 504	21 929	27 790	27 910	22 500	15 763	26 724	–	80
Vote 5 - Local Economic Development		–	–	–	–	–	–	–	22	–	20
Vote 6 - Development and Planning		10	101	–	–	–	–	–	–	–	50
Vote 7 - Technical Services		141	1 899	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Total Capital Expenditure - Vote		7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Capital Expenditure - Standard											
Governance and administration		1 788	1 520	294	6 063	5 436	–	–	23 567	6 493	4 196
Executive and council		1 077	417	4	5 750	5 124	–	–	4 120	1 571	1 184
Budget and treasury office		115	25	–	313	313	–	–	39	42	45
Corporate services		596	1 078	290	–	–	–	–	19 407	4 880	2 968
Community and public safety		5 933	6 504	21 929	27 790	27 910	22 500	15 763	26 724	–	80
Community and social services		23	54	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–	–
Public safety		5 910	6 450	21 929	27 790	27 910	22 500	15 763	26 424	–	30
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	300	–	50
Economic and environmental services		151	2 000	–	–	–	–	–	22	–	70
Planning and development		151	419	–	–	–	–	–	22	–	70
Road transport		–	1 581	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		–	–	–	–	–	–	–	–	–	–
Electricity		–	–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	3	7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Funded by:											
National Government											
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	–	–	–	–	–	–	–	–	–	–
Public contributions & donations	5		6								
Borrowing	6	808									
Internally generated funds		7 064	10 017	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Total Capital Funding	7	7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346

DC31 Nkangala - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Municipal Vote											
Capital expenditure - Municipal Vote											
Single-year expenditure appropriation	2										
Vote 1 - Council General and Executive		1 077	291	4	1 561	2 731	–	–	3 910	1 441	1 027
1.1 - Core Function - Mayor and Council		1 077	291	4	1 561	2 731	–	–	3 910	1 441	1 027
Vote 2 - Municipal Manager Town Secretary and (		596	1 204	290	4 190	2 393	–	–	19 617	5 010	3 125
2.1 - Core Function - Risk Management		–	–	–	–	–	–	–	130	–	–
2.2 - Core Function - Governance Function		–	–	–	–	–	–	–	–	–	20
2.3 - Non-core Function		–	–	–	–	–	–	–	–	–	–
2.4 - Core Function - Municipal Manager Town S		318	340	88	4 190	2 393	–	–	210	130	137
2.5 - Core Function - Fleet Management		–	–	–	–	–	–	–	–	–	–
2.6 - Core Function - Human Resources		–	–	–	–	–	–	–	270	230	288
2.7 - Core Function - Information Technology		277	864	202	–	–	–	–	19 007	4 650	2 680
2.8 - Core Function - Legal Services		–	–	–	–	–	–	–	–	–	–
2.9 - Core Function - Marketing Customer Relatio		–	–	–	–	–	–	–	–	–	–
Vote 3 - Finance		115	25	–	313	313	–	–	39	42	45
3.1 - Core Function - Asset Management		–	–	–	–	–	–	–	–	–	–
3.2 - Core Function - Budget and Treasury Office		–	–	–	–	–	–	–	–	–	–
3.3 - Core Function - Finance		115	25	–	313	313	–	–	39	42	45
3.4 - Core Function - Supply Chain Management		–	–	–	–	–	–	–	–	–	–
3.5 - Core Function - Treasury Office		–	–	–	–	–	–	–	–	–	–
Vote 4 - Social Services		5 933	6 504	21 929	27 790	27 910	22 500	15 763	26 724	–	80
4.1 - Core Function - Pollution Control		–	–	–	–	–	–	–	–	–	–
4.2 - Core Function - Health Services		23	54	–	–	–	–	–	300	–	50
4.3 - Core Function - Laboratory Services		–	–	–	–	–	–	–	–	–	–
4.4 - Core Function - Licensing and Regulation		–	–	–	–	–	–	–	–	–	–
4.5 - Fire Fighting and Protection		5 895	6 386	21 929	27 790	27 910	22 500	15 763	26 424	–	30
4.6 - Public Safety - Non-core Function		–	–	–	–	–	–	–	–	–	–
4.7 - Other - Disaster Management (not Civil Defe		15	63	–	–	–	–	–	–	–	–
Vote 5 - Local Economic Development		–	–	–	–	–	–	–	22	–	20
5.1 - Core Function - Tourism		–	–	–	–	–	–	–	–	–	–
5.2 - Non-core Function - Tourism		–	–	–	–	–	–	–	–	–	–
5.3 - Economic Development/Planning		–	–	–	–	–	–	–	22	–	20
Vote 6 - Development and Planning		10	101	–	–	–	–	–	–	–	50
6.1 - Corporate Wide Strategic Planning (IDPs LE		–	–	–	–	–	–	–	–	–	20
6.2 - Town Planning Building Regulations and E		10	101	–	–	–	–	–	–	–	30
6.3 - Urban and Rural Development		–	–	–	–	–	–	–	–	–	–
Vote 7 - Technical Services		141	1 899	–	–	–	–	–	–	–	–
7.1 - Regional Planning and Development		141	1 899	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346
Total Capital Expenditure		7 872	10 023	22 223	33 853	33 346	22 500	15 763	50 312	6 493	4 346

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16 R50,312 million has been allocated of the total budget for capital expenditure and R6,493 million and R4,346 million for the 2016/17 and 2017/18 financial years respectively. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the District. For the purpose of funding assessment of the MTREF.
3. The capital programme is funded from internally generated funds from current year surpluses and accumulated surpluses.

Table 16 MBRR Table A6 - Budgeted Financial Position

DC31 Nkangala - Table A6 Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
ASSETS											
Current assets											
Cash		10 983	8 542	6 213	8 875	8 875	90 744	90 744	90 744	90 744	90 744
Call investment deposits	1	437 065	457 511	395 570	53 564	53 564	413 721	413 721	213 721	187 879	213 721
Consumer debtors	1	–	–	–	–	–	–	–	–	–	–
Other debtors		19 164	22 377	23 571	9 724	9 724	38 833	38 833	38 833	38 833	38 833
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	238 474	186 682	165 757	73 337	73 337	165 757	165 757	178 175	178 175	168 087
Total current assets		705 685	675 111	591 111	145 500	145 500	709 054	709 054	521 472	495 630	511 384
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		38 855	31 085	33 756	144 682	144 682	33 756	33 756	–	–	–
Investment property		–	–	–	–	–	–	–	–	–	–
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	85 795	92 125	98 606	110 846	123 727	109 406	109 406	152 040	151 838	149 677
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		–	354	851	765	5 083	787	787	5 000	3 000	2 500
Other non-current assets		–	–	–	–	–	–	–	–	–	–
Total non current assets		124 649	123 564	133 213	256 293	273 492	143 950	143 950	157 040	154 838	152 177
TOTAL ASSETS		830 335	798 675	724 325	401 793	418 993	853 004	853 004	678 512	650 469	663 562
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	6 568	6 753	6 659	(6 130)	(6 130)	(12 449)	(12 449)	(3 426)	(3 864)	(4 057)
Consumer deposits		–	–	–	–	–	–	–	–	–	–
Trade and other payables	4	50 963	49 950	59 911	33 039	33 039	31 501	34 367	27 501	27 501	27 501
Provisions		5 434	9 092	1 442	9 596	10 172	1 354	1 354	–	–	–
Total current liabilities		62 965	65 795	68 011	36 505	37 081	20 405	23 271	24 075	23 637	23 444
Non current liabilities											
Borrowing		39 906	34 063	27 904	34 533	34 533	27 904	27 904	–	–	–
Provisions		7 128	9 596	12 545	7 478	7 478	12 545	12 545	12 545	12 545	12 545
Total non current liabilities		47 034	43 659	40 448	42 011	42 011	40 448	40 448	12 545	12 545	12 545
TOTAL LIABILITIES		109 999	109 454	108 459	78 516	79 092	60 854	63 720	36 620	36 182	35 989
NET ASSETS	5	720 335	689 221	615 866	323 277	339 901	792 150	789 284	641 892	614 287	627 573
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		720 335	689 221	615 866	350 903	347 018	789 284	789 284	641 892	614 287	627 573
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests		–	–	–	–	–	–	(0)	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	720 335	689 221	615 866	350 903	347 018	789 284	789 284	641 892	614 287	627 573

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non-current;
   - Changes in net assets; and
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 17MBRR Table A7 - Budgeted Cash Flow Statement

DC31 Nkangala - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		(19 164)	(3 213)	(1 195)	–	–	(15 261)	(15 261)	–	–	–
Service charges		–	–	–	–	–	–	–	–	–	–
Other revenue		4 765	3 337	2 293	770	747	562	422	1 031	1 095	1 142
Government - operating	1	295 110	304 562	313 813	325 497	333 248	331 698	328 754	334 683	335 805	342 677
Government - capital	1	–	–	–	–	510	510	510	2 010	2 076	2 180
Interest		30 277	29 657	28 431	17 440	14 285	14 115	10 605	15 757	15 380	15 399
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(263 374)	(93 279)	(140 895)	(268 676)	(232 090)	(179 097)	(127 942)	(237 468)	(222 170)	(227 897)
Finance charges		(5 973)	(5 295)	(4 557)	(4 400)	(3 800)	(2 815)	(1 876)	(1 989)	(1 554)	(1 533)
Transfers and Grants	1	(230 288)	(203 904)	(231 013)	(205 742)	(187 953)	(86 487)	(57 658)	(226 690)	(121 137)	(83 028)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(188 646)	31 866	(33 122)	(135 111)	(75 053)	63 226	137 553	(112 666)	9 495	48 940
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	6 928	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		(38 855)	(12 676)	59 269	–	–	(33 756)	(33 756)	(33 756)	–	–
Payments											
Capital assets		–	–	–	(33 853)	(33 346)	–	–	(50 312)	(6 493)	(4 346)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(38 855)	(12 676)	66 198	(33 853)	(33 346)	(33 756)	(33 756)	(84 068)	(6 493)	(4 346)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		46 474	185	–	–	–	–	–	(3 426)	(3 864)	(4 057)
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		–	(5 843)	(6 253)	(3 966)	(3 966)	(19 108)	(19 108)	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		46 474	(5 658)	(6 253)	(3 966)	(3 966)	(19 108)	(19 108)	(3 426)	(3 864)	(4 057)
NET INCREASE/ (DECREASE) IN CASH HELD		(181 027)	13 531	26 822	(172 929)	(112 364)	10 361	84 688	(200 160)	(862)	40 537
Cash/cash equivalents at the year begin:	2	466 152	285 125	298 656	325 478	325 478	325 478	325 478	325 478	125 318	124 456
Cash/cash equivalents at the year end:	2	285 125	298 656	325 478	152 548	213 114	335 839	410 166	125 318	124 456	164 993

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash-in flows versus cash-outflow that is likely to result from the implementation of the budget.

3. It can be seen that the cash levels of the District declined from R466,152 million over the 2014/15 to R125,318 million in 2015/16 period and to R124,456 million in 2016/17 and R164,993 in 2017/18 financial years.

4. The approved 2015/16 MTREF provide for a further net decrease in cash of R200,160 million for the 2015/16 financial year resulting in an overall projected positive cash position of R40,537 million at year end.

5. Cash and cash equivalents totals R125,318 million as at the end of the 2015/16 financial year and escalates to R164,993 million by 2017/18.Table 18 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Table 19 MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

DC31 Nkangala - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available											
Cash/cash equivalents at the year end	1	285 125	298 656	325 478	152 548	213 114	335 839	410 166	125 318	124 456	164 993
Other current investments > 90 days		162 923	167 396	76 305	(90 109)	(150 675)	168 626	94 299	179 147	154 167	139 472
Non current assets - Investments	1	38 855	31 085	33 756	144 682	144 682	33 756	33 756	–	–	–
Cash and investments available:		486 903	497 138	435 539	207 122	207 122	538 221	538 221	304 465	278 623	304 465
Application of cash and investments											
Unspent conditional transfers		–	–	1 000	–	–	4 000	6 866	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	127 700	71 487	71 189	33 039	33 039	1 081 365	1 432 653	27 501	27 501	27 501
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		127 700	71 487	72 189	33 039	33 039	1 085 365	1 439 519	27 501	27 501	27 501
Surplus(shortfall)		359 202	425 651	363 351	174 083	174 083	(547 144)	(901 298)	276 963	251 121	276 963

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2015/16 to 2017/18 the surplus stabilises to 276,963 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2015/16 MTREF was sufficiently funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 20 MBRR Table A9 - Asset Management

DC31 Nkangala - Table A9 Asset Management

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CAPITAL EXPENDITURE										
Total New Assets	1	12 772	7 872	10 023	33 853	33 346	–	50 312	6 493	4 346
Infrastructure		*2 459*	–	–	–	–	–	–	–	–
Community		13	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	10 301	7 872	9 816	29 664	28 222	–	45 312	3 493	1 846
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	207	4 190	5 124	–	5 000	3 000	2 500
Total Capital Expenditure	4									
Infrastructure		–	–	–	–	–	–	–	–	–
Community		13	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		10 301	7 872	9 816	29 664	28 222	–	45 312	3 493	1 846
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	207	4 190	5 124	–	5 000	3 000	2 500
TOTAL CAPITAL EXPENDITURE - Asset class	2	10 313	7 872	10 023	33 853	33 346	–	50 312	6 493	4 346
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure		–	–	–	–	–	–	–	–	–
Community										
Heritage assets										
Investment properties		–	–	–	–	–	–	–	–	–
Other assets										
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	354	851	765	5 083	787	5 000	3 000	2 500
TOTAL ASSET REGISTER SUMMARY - PPE (WDV	5	–	354	851	765	5 083	787	5 000	3 000	2 500
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		7 557	8 220	8 315	9 572	8 225	7 540	7 678	6 695	6 507
Repairs and Maintenance by Asset Class	3	28 864	35 520	54 886	44 525	18 695	18 475	16 915	15 670	10 439
Infrastructure		–	–	–	–	–	–	–	–	–
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	28 864	35 520	54 886	44 525	18 695	18 475	16 915	15 670	10 439
TOTAL EXPENDITURE OTHER ITEMS		36 420	43 740	63 202	54 097	26 920	26 015	24 593	22 365	16 946
Renewal of Existing Assets as % of total capex		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Renewal of Existing Assets as % of deprecn"		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
R&M as a % of PPE		*33.6%*	*38.6%*	*55.7%*	*40.2%*	*15.1%*	*16.9%*	*11.1%*	*10.3%*	*7.0%*
Renewal and R&M as a % of PPE		*0.0%*	*10044.0%*	*6449.0%*	*5824.0%*	*368.0%*	*2346.0%*	*338.0%*	*522.0%*	*418.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The District does not meet both these recommendations as the District move into new office buildings in 2006.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the MMC for Finance, Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the District's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 28 May 2014. Key dates applicable to the process were:

- **August 2014**–Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/16 MTREF;
- **January and February 2015**–Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **6 to 10 February 2015** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **28 January 2015** - Council considered the 2014/15 Mid-year Review;
- **25 February 2015** - Council considers the 2014/15 Adjustments Budget;
- **March 2015** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;

- **20 March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF to Mayoral committee;
- **25 March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;
- **9 Apr 2015** – Budget Indaba;
- **15 April 2015** - Closing date for written comments;
- **7 to 15 May 2015**–finalisation of the 2015/16 IDP and 2015/16 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **27 May 2015** - Submission of the final 2015/16 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2013. It started in August 2013. The reviewed IDP will be submitted to Council for approval on the 25 March 2015.

The District's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- District growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 55, 58, 66, 67, 70, 72, 74 & 75 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2015/16 MTREF as tabled before Council on 25 March 2015 for community consultation will be published on the municipality's website, and hard copies will be made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Local Municipalities were utilised to facilitate the community consultation process from 12 February to 31 Mar 2015, and included six public briefing sessions and the Budget Indaba on the 31 Mar 2015. The applicable dates and venues was published in all the local newspapers and on average attendance amounted 50 to 100 per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and Imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2015/16 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The District is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially the state of road infrastructure and slow implementation of projects in local municipalities;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Environmental problems of the mines and climate change;
- High levels of poverty and unemployment, which indicate there is a need for skills training.
- The district needs to promote the cargo project in Victor Khanye.
- DORA allocation not correctly captured
- High percentage of rollovers

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the District, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the District strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the District's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes and
- The National Development Plan.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

- Local Economic Development
- Infrastructure Development and Service Delivery
- Institutional Development and Municipal Transformation
- Good Governance and Public Participation
- Build more united, non-racial, integrated and safer communities;
- Financial Viability
- Ensure more effective, accountable and clean Local Government that works together with National and Provincial Spheres of Government.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the District to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
    - Provide electricity;
    - Provide water;
    - Provide sanitation;
    - Provide waste removal;
    - Provide housing;
    - Provide roads and storm water;
    - Provide public transport;
    - Provide district planning services; and
    - Maintaining the infrastructure of the District.

2. Economic growth and development that leads to sustainable job creation by:
    - Ensuring the is a clear structural plan for the District;
    - Ensuring planning processes function in accordance with set timeframes;
    - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Working with strategic partners such as SAPS to address crime;
- Ensuring save working environments
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.
- Implementing initiatives to reduce the effect of climate change.

3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly coordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
    - Optimising effective community participation in the ward committee system; and
    - Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the District. The five-year programme responds to the development challenges and opportunities faced by the

District by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the District;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 21 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

DC31 Nkangala - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	–	–	–	–	–	–	–	–	–

Table 22 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

DC31 Nkangala - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Allocations to other priorities												
Total Expenditure			1	–	–	–	–	–	–	–	–	–

Table 23 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

DC31 Nkangala - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
		A										
		B										
		C										
		D										
		E										
		F										
		G										
		H										
		I										
		J										
Allocations to other priorities			3									
Total Capital Expenditure			1	–	–	–	–	–	–	–	–	–

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the District has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues

through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

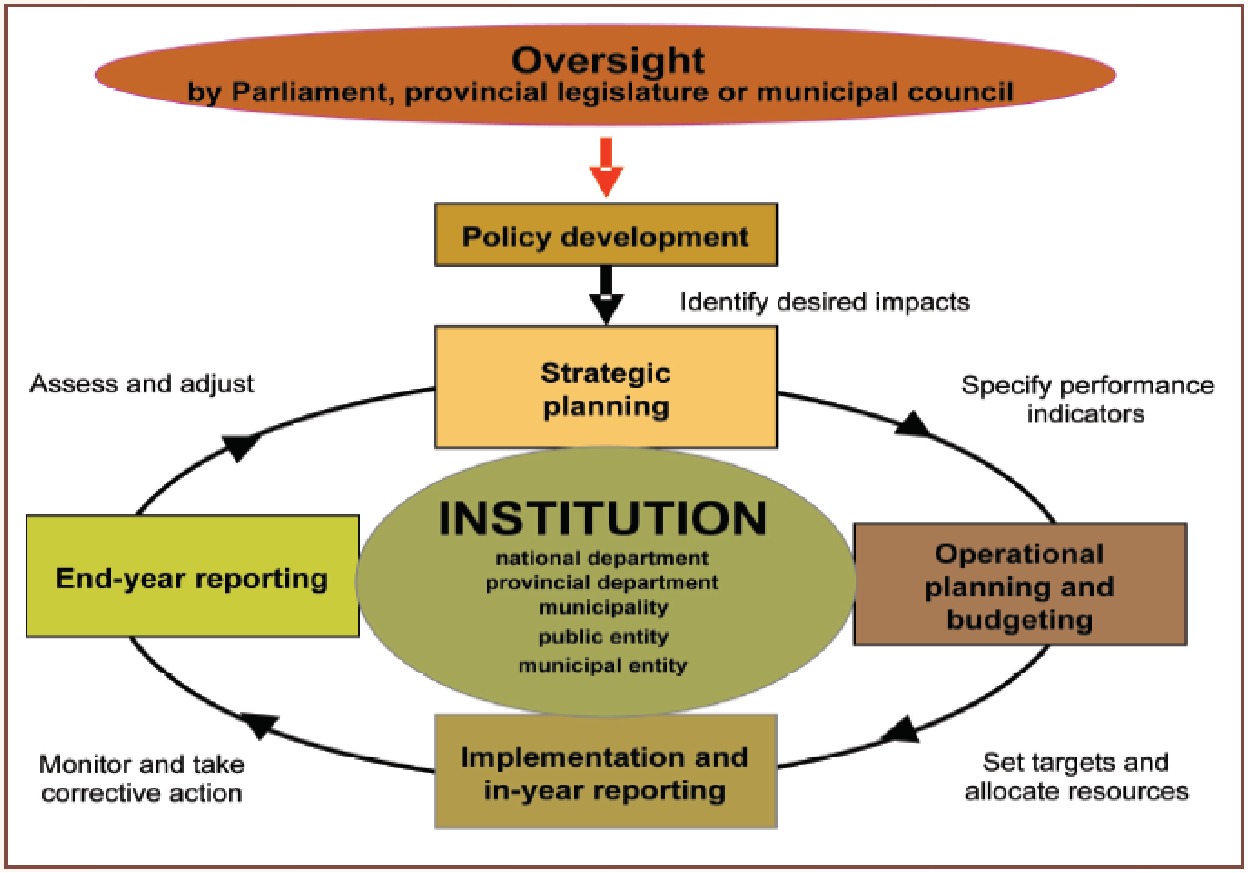


Figure 3Planning, budgeting and reporting cycle

The performance of the District relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The District therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the District in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

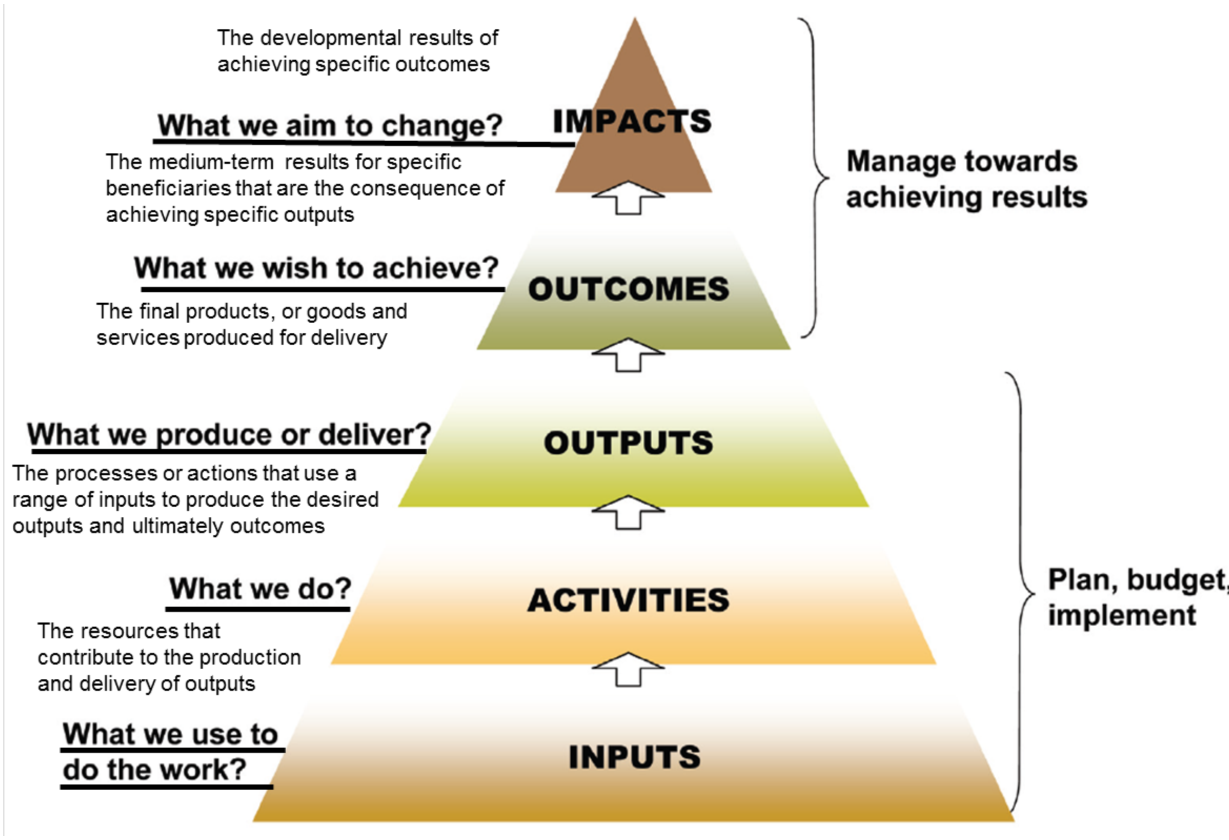


Figure 4 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 24 MBRR Table SA7 - Measurable performance objectives (replaced with QUARTERLY PROJECTIONS OF SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS AS PER APPROVED SDBIP)

DC31 Nkangala - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 1 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Vote 2 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Vote 3 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
And so on for the rest of the Votes										

The following table sets out the municipalities main performance objectives and benchmarks for the 2015/16 MTREF.

Table 25 MBRR Table SA8 - Performance indicators and benchmarks

DC31 Nkangala - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.8%	3.0%	2.6%	1.7%	1.8%	8.8%	12.6%	0.4%	0.4%	0.4%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	17.0%	33.8%	35.2%	45.9%	51.7%	149.4%	190.3%	11.8%	9.4%	9.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	590.3%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.8%	-59.5%	-93.3%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	11.2	10.3	8.7	4.0	3.9	34.7	30.5	21.7	21.0	21.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	11.2	10.3	8.7	4.0	3.9	34.7	30.5	21.7	21.0	21.8
Liquidity Ratio	Monetary Assets/Current Liabilities	7.1	7.1	5.9	1.7	1.7	24.7	21.7	12.6	11.8	13.0
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		-400.4%	-96.2%	-52.1%	0.0%	0.0%	-2713.9%	-3618.5%	0.0%	0.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		-400.4%	-96.2%	-52.1%	0.0%	0.0%	-2713.9%	-3618.5%	0.0%	0.0%	0.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	5.8%	6.6%	6.8%	2.8%	2.8%	11.2%	11.4%	11.0%	11.0%	10.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))										
Creditors to Cash and Investments		17.9%	16.7%	18.1%	21.7%	15.5%	8.2%	6.7%	21.9%	22.1%	16.7%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	11.5%	17.6%	16.4%	34.0%	30.8%	19.5%	13.3%	32.9%	34.6%	35.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	14.6%	20.8%	19.8%	38.7%	35.4%	22.9%		37.4%	39.5%	40.3%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	8.7%	10.5%	15.9%	13.0%	5.4%	5.3%		4.8%	4.4%	2.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	4.1%	4.0%	3.7%	4.1%	3.5%	3.0%	2.0%	2.8%	2.3%	2.2%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	1.0	1.0	1.4	1.0	1.0	1.0	0.7	1.1	1.1	1.1
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	7481.4%	17235.6%	27264.7%	8840.1%	11177.2%	53602.9%	71470.5%	25237.0%	23740.4%	22616.6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	10.6	10.2	10.3	4.0	6.5	19.6	37.6	3.2	4.2	6.2

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Nkangala District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the District's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has stabilised at 0.4 over the MTREF.

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is zero per cent. Capital expenditure is financed from cash backed accumulated surpluses.

The District's debt profile provides some interesting insights on the District's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the District to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. .

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of borrowing, creditors and provisions as a percentage of funds and reserves. In the 2015/16 financial year the ratio is at a level 14.8 per cent and remains relatively stable at 16.65 per cent in the 2017/18 financial year.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the District has set a limit of 1, hence at no point in time should this ratio be less than 1. The 2013/14 current ratio of the District is 8.7 per cent. The current ratio for 2014/15 is 30.5, whilst the projected current ratio is 34.7per cent. The 2015/16 financial year is 21.7 and 21.00 and 21.8 for the two outer years of the MTREF respectively.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality

should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. The 2013/14 current ratio of the District is 8.7 per cent. The current ratio for 2014/15 is 30.5, whilst the projected current ratio is 34.7per cent. The 2015/16 financial year is 21.7 and 21.00 and 21.8 for the two outer years of the MTREF respectively.

2.3.1.4 Revenue Management

- With the abolishment of the RSC Levies the outstanding debtors has declined to a point where the total outstanding debtors to annual revenue is very positive. The estimated ratio for 2015/16 is 2.8 per cent and remains stable at zero per cent for the two outer years.

2.3.1.5 Creditors Management

- The District has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the District, which is expected to benefit the District in the form of more competitive pricing of tenders, as suppliers compete for the District's business.

2.3.1.6 Other Indicators

- Employee costs as a percentage of operating revenue continues to remain stable at 26.3 for the 2015/16 budget year and 36.46 for the 2017/18 budget year.
- Repairs and maintenance as percentage of operating revenue is very low as the District has only the office building.
- The filling of vacancies has commenced.
- Measures have been put in place to ensure that relevant officials comply with the extension of the minimum competency requirements;

2.4 Overview of budget related-policies

The District's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council in October 2003 and was reviewed during the 2014/15 budget process. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 99 per cent on debtors. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the District's cash levels.

2.4.2 Asset Management Policy

The reviewed asset management policy was adopted by Council in 2014/15. The policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment. The depreciation and capitalization of assets are dealt with in terms of this policy. The Asset Management policy was reviewed during the 2015/16 budget preparation process.

2.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in October 2006. An amended policy was adopted by Council in May 2013. The policy provides for processes to be followed in the procurement of goods and services. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procurement of goods and services, disposing of goods and selection of contractors in the provision of municipal services.

2.4.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the District's system of delegations. The Budget and Virement Policy was reviewed during the budget process in 2015/16.

2.4.5 Cash Management and Investment Policy

The policy provides for the management of cash and investment of surplus funds. The aim of the policy is to ensure that surplus cash and investments are adequately managed especially the funds set aside for the cash banking of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks. This policy was reviewed by Council during the 2015/16 budget process.

2.4.6 Donation Policy

The policy provides for the conditions and procedures for which donations can be made and accounted for. This policy was reviewed by Council during the 2015/16 budget process.

2.4.7 Fraud and Corruption Prevention Policy

The policy provides for the mitigating, preventing, and reporting any corrupt or fraudulent activities. The policy was reviewed in March 2014.

2.4.8 Travel and Subsistence Policy

The objective of this policy is to enforce the promulgated legislation in terms of ad-hoc travel and subsistence allowances, in order to set uniform guidelines for Councillors and officials from Nkangala District Municipality. Furthermore, this policy sets out the basis for the payment of a subsistence and travel allowance for the purposes of such official travelling. The policy is currently under review and comments from the Local Labour Forum is awaited

2.4.9 Rental of municipal facilities Policy

The objectives of this policy are to:

- Ensure that the rental of council facilities are dealt with in accordance with authorized processes only
- Ensure that the municipality has and maintains an effective system of internal control.

This policy was reviewed by Council during the 2015/16 budget process.

2.4.10 Budget policy

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to the Nkangala District Municipality's IDP review and budget processes.

2.4.11 New Policies

Borrowing Policy Annexure V Page 379-389

Investment & Surplus Funds Annexure W Page 390-399

Cash Management Annexure X Page 400-405

Funds and Reserve Policy Annexure Z Page 415-425

Blacklisting Policy Annexure AA Page 425-452

Cellphone Policy Annexure JJ Page 659-665 and Annexure KK Page 666

2.5 Overview of budget assumptions

2.5.1 External factors

Circular 74 notes that the South African economy is projected to grow by 1.4 per cent in 2015. By 2018 GDP growth is expected to reach 3.0 per cent, supported by expanding public sector investment in infrastructure, the activation of new electricity-generating capacity, improving public sector confidence, relatively low inflation and interest rates and strong growth in the Southern African region.

Specific interventions to achieve this include: investing in strategic infrastructure programmes, including electricity generation and transport capacity needed to open up new mining and

industrial opportunities. Linked to this is strengthening municipal finances and investing in residential development and urban infrastructure.

The proposed spending framework approved by Cabinet takes account of the need to control spending growth over the medium term while increasing the efficiency of existing allocations to improve public services. As a result, the fiscus does not increase available funds beyond the 2015 budget baseline.

The labour market has deteriorated. The official unemployment rate rose to 25.5 per cent of the labour force in the third quarter of 2013 from 24.9 per cent in the second quarter according to the latest Quarterly Labour Force Survey. The total number of unemployed people stood at 4.67 million in the three months up to September, from 4.47 million in the second quarter. By the expanded definition of unemployment (including those who have stopped looking for work) unemployment increased to 36.3 per cent, from 36.2 per cent.

Consequently, municipal revenues and cash flows are expected to remain under pressure in 2015/16 and so municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts. Municipalities will have to carefully consider affordability of tariff increases especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should also pay particular attention to managing revenue effectively and carefully evaluate all spending decisions. In generating capacity for spending on key municipal infrastructure municipalities will have to identify inefficiencies and eliminate non-priority spending.

Headline inflation forecasts:

Fiscal year	2014 Actual	2015 Estimate	2016	2017 Forecast	2018
Real GDP growth	2.2	1.4	2.0	2.6	3.0
CPI Inflation	5.8	5.6	4.8	5.9	5.6

Source: Budget Review 2015
Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on District's residents and businesses;
- The impact of municipal cost drivers; and
- Guidance from NT indicate to assume increase for salaries and wages as follows:.

The preliminary increases are as follows:
2015/16 Financial Year – 4.4 per cent
2016/17 Financial Year – 5.75 per cent
2017/18 Financial Year – 5.75 per cent

2.5.3 Credit rating outlook

Global Credit rating committee has in August 2013 rated Nkangala District Municipality's as follows:

Table 26 Credit rating outlook

Security class	Rating scale	Rating	Rating outlook	Review date
Long term	National	A(ZA)	Stable	08/2014
High credit quality relative to other issuers or obligations in the same country. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.				
Short term	National	A1(ZA)	Stable	08/2014
Very high certainty of timely payment relative to other issuers or obligations in the same country. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.				
Long term	International	BBB-	Stable	08/2014
Adequate protection factors and considered sufficient for prudent investment. However there is considerable variability in risk during economic cycles.				

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The District engaged in a number of financing arrangements to minimise its interest rate costs and risk. However, in 2015/16 MTREF is based on the assumption that no additional borrowings are undertaken.

2.5.5 Collection rate for revenue services

The rate of revenue collection is currently expressed as a percentage (99 per cent) of budgeted income. Cash flow is assumed to be 99 per cent of budgeted income.

2.5.6 Salary increases

The multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015 is used as the basis.

The preliminary increases are as follows:
2015/16 Financial Year – 4.4 per cent
2016/17 Financial Year – 5.75 per cent
2017/18 Financial Year – 5.75 per cent

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 60 per cent is achieved on operating expenditure and 60 per cent on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

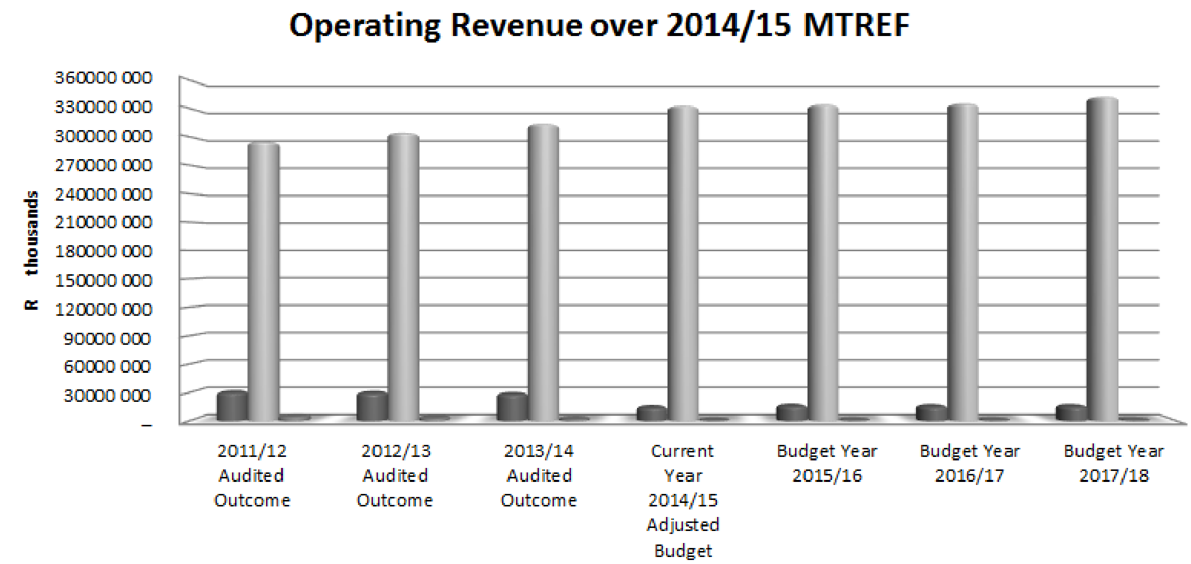
The following table is a breakdown of the operating revenue over the medium-term:

Table 27 Breakdown of the operating revenue over the medium-term

DC31 Nkangala - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–	–	–	–
Investment revenue	30 257	29 656	28 431	17 435	14 285	14 115	10 605	15 757	15 380	15 399
Transfers recognised - operational	295 110	304 562	313 813	325 497	333 248	331 698	328 754	334 683	335 805	342 677
Other own revenue	4 786	3 338	2 294	775	747	562	422	1 031	1 095	1 142
Total Revenue (excluding capital transfers and contributions)	330 153	337 556	344 538	343 707	348 280	346 376	339 780	351 471	352 280	359 218

The following graph is a breakdown of the operational revenue per main category for the 2015/16 financial year.



	2011/12 Audited Outcome	2012/13 Audited Outcome	2013/14 Audited Outcome	Current Year 2014/15 Adjusted Budget	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Investment revenue	30256 521	29655 700	28430 598	14285 000	15756 750	15379 944	15398 952
Transfers recognised - operational	295110 481	304562 279	313813 359	333248 235	334683 000	335805 000	342677 000
Other own revenue	4785 728	3338 409	2293 604	747 000	1031 122	1094 844	1142 200

Figure 5 Breakdown operating revenue over the 2015/16 MTREF

Operating Grants form a significant percentage of the revenue basket for the District. In the 2015/16 financial year, the operating grants totaled R334,683 million or 95.22 per cent. This increases to R335,805 million and R342,677 million in the respective financial years of the MTREF.

Investment revenue is the second largest revenue source totalling 4.48 per cent or R15,757 million and decreases to R15,399 million by 2017/18. The third largest sources is 'other revenue' which consists of various items such as income received from discounts, sale of tender documents and sundry income.

The tables below provide detail investment information and investment particulars by maturity.

Table 28 MBRR SA15 – Detail Investment Information

DC31 Nkangala - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Parent municipality										
5 Major Banks (Call)		179 475	202 436	218 456	453 327	307 183	307 183	207 689	84 362	31 386
5 Major Banks (30 days)		79 000	118 170	113 000						
5 Major Banks (60 - 90 days)		167 000	132 721	105 609						
Investec (Long term)		8 185	35 464	38 855	35 464	35 464	35 464	32 922	37 218	0
Municipality sub-total	1	433 660	488 791	475 920	488 791	342 647	342 647	240 611	121 580	31 386
Consolidated total:		433 660	488 791	475 920	488 791	342 647	342 647	240 611	121 580	31 386

Table 29 MBRR SA16 – Investment particulars by maturity

DC31 Nkangala - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months								Rand thousand	
Parent municipality										
5 Mayor Banks	Call	Call	yes	fixed	5.0%-5.45%	No	-	Call	195,139	
5 Mayor Banks	30 days	30 Days	yes	fixed	4.95% - 5.17%	No	-	30 days	100,000	380
5 Mayor Banks	60 - 90 Days	60 - 90 Days	yes	fixed	5.0% - 5.3%	No	-	60 - 90 Days	189,052	1,678
Investec	5 years	Long term	yes	fixed		No	-	30 June 2013	10,229	
Investec	5 Years	Long term	yes	Variable	8.28% - 9.77%	No	-	07 September 2015	28,626	
Municipality sub-total									523,045	2,058
TOTAL INVESTMENTS AND INTEREST									523,045	2,058

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surpluses be invested. This surplus is intended to partly fund contribution to local municipalities from own sources as well as ensure adequate cash backing of reserves and funds.
Operating Grants form a significant percentage of the revenue basket for the District. In the 2015/16 financial year, the operating grants totaled R335,683 million or 95.22 per cent. This increases to R335,805 million and R342,677 million in the respective financial years of the MTREF and includes the RSC Levy Replacement, local government equitable share and other operating grants from national government.

Investment revenue is the second largest revenue source totaling 4.48 per cent or R15,757 million and decreases to R15,399 million by 2017/18. The third largest sources is ‘other revenue’ which consists of various items such as income received from discounts, sale of tender documents and sundry income.

The following table is a detailed analysis of the District’s borrowing liability.

Table 30 MBRR Table SA 17 - Detail of borrowings

DC31 Nkangala - Supporting Table SA17 Borrowing

Borrowing - Categorised by type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Parent municipality										
Long-Term Loans (annuity/reducing balance)		45,632	40,223	34,063	34,533	34,533	34,533	28,403	21,892	14,943
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	45,632	40,223	34,063	34,533	34,533	34,533	28,403	21,892	14,943
Total Borrowing	1	45,632	40,223	34,063	34,533	34,533	34,533	28,403	21,892	14,943

The following graph illustrates the growth in outstanding borrowing for the 2011/12 to 2017/18 period.

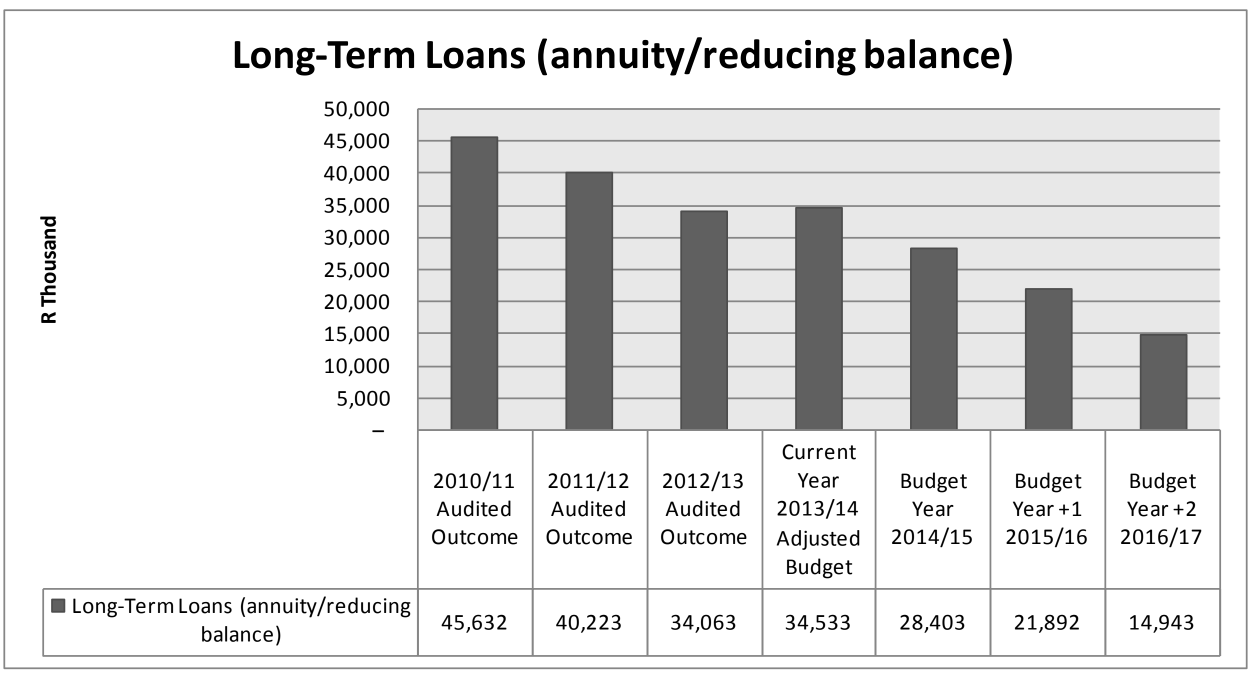


Figure 6 Decline in outstanding borrowing (long-term liabilities)

Table 31 MBRR Table SA 18 - Capital transfers and grant receipts

DC31 Nkangala - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		294 224	303 175	311 990	322 322	322 322	322 322	330 683	335 805	342 677
Local Government Equitable Share		291 974	299 711	308 850	318 017	318 017	318 017	326 223	333 595	340 394
		–	–	–	–	–	–	–	–	–
Finance Management		1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250
Municipal Systems Improvement		1 000	1 000	890	934	934	934	930	960	1 033
EPWP		–	1 214	1 000	2 121	2 121	2 121	2 280	–	–
Provincial Government:		199	1 381	1 763	3 175	5 363	3 813	4 000	–	–
Provincial Treasury Data cleansing		199	1 381	1 763	3 175	5 363	3 813	4 000	–	–
Other grant providers:		688	6	60	–	5 563	5 563	–	–	–
		–	–	–	–	–	–	–	–	–
Pulblic donation mining house		688	6	60	–	5 563	5 563	–	–	–
Total Operating Transfers and Grants	5	295 110	304 562	313 813	325 497	333 248	331 698	334 683	335 805	342 677
Capital Transfers and Grants										
National Government:		–	–	–	–	–	–	2 010	2 076	2 180
Rural asset management roads grant		–	–	–	–	–	–	2 010	2 076	2 180
		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	510	510	–	–	–
		–	–	–	–	–	–	–	–	–
Donated assets		–	–	–	–	510	510	–	–	–
Total Capital Transfers and Grants	5	–	–	–	–	510	510	2 010	2 076	2 180
TOTAL RECEIPTS OF TRANSFERS & GRANTS		295 110	304 562	313 813	325 497	333 758	332 208	336 693	337 881	344 857

2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from ‘Ratepayers and other’ to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 32 MBRR Table A7 - Budget cash flow statement

DC31 Nkangala - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		(19 164)	(3 213)	(1 195)	–	–	(15 261)	(15 261)	–	–	–
Service charges		–	–	–	–	–	–	–	–	–	–
Other revenue		4 765	3 337	2 293	770	747	562	422	1 031	1 095	1 142
Government - operating	1	295 110	304 562	313 813	325 497	333 248	331 698	328 754	334 683	335 805	342 677
Government - capital	1	–	–	–	–	510	510	510	2 010	2 076	2 180
Interest		30 277	29 657	28 431	17 440	14 285	14 115	10 605	15 757	15 380	15 399
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(263 374)	(93 279)	(140 895)	(268 676)	(232 090)	(179 097)	(127 942)	(237 468)	(222 170)	(227 897)
Finance charges		(5 973)	(5 295)	(4 557)	(4 400)	(3 800)	(2 815)	(1 876)	(1 989)	(1 554)	(1 533)
Transfers and Grants	1	(230 288)	(203 904)	(231 013)	(205 742)	(187 953)	(86 487)	(57 658)	(226 690)	(121 137)	(83 028)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(188 646)	31 866	(33 122)	(135 111)	(75 053)	63 226	137 553	(112 666)	9 495	48 940
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	6 928	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		(38 855)	(12 676)	59 269	–	–	(33 756)	(33 756)	(33 756)	–	–
Payments											
Capital assets		–	–	–	(33 853)	(33 346)	–	–	(50 312)	(6 493)	(4 346)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(38 855)	(12 676)	66 198	(33 853)	(33 346)	(33 756)	(33 756)	(84 068)	(6 493)	(4 346)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		46 474	185	–	–	–	–	–	(3 426)	(3 864)	(4 057)
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		–	(5 843)	(6 253)	(3 966)	(3 966)	(19 108)	(19 108)	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		46 474	(5 658)	(6 253)	(3 966)	(3 966)	(19 108)	(19 108)	(3 426)	(3 864)	(4 057)
NET INCREASE/ (DECREASE) IN CASH HELD		(181 027)	13 531	26 822	(172 929)	(112 364)	10 361	84 688	(200 160)	(862)	40 537
Cash/cash equivalents at the year begin:	2	466 152	285 125	298 656	325 478	325 478	325 478	325 478	325 478	125 318	124 456
Cash/cash equivalents at the year end:	2	285 125	298 656	325 478	152 548	213 114	335 839	410 166	125 318	124 456	164 993

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

It can be seen that the cash levels of the District declined from R466,152 million over the 2011/12 to R325,478 million in 2013/14 period.

The current approved 2014/15 MTREF provide for a further net decrease in cash of R410,166 million for the 2014/15 financial year resulting in an overall projected positive cash position of R335,839 million at year end.

Cash and cash equivalents totals R125,318 million as at the end of the 2015/16 financial year and escalates to R164,993 million by 2017/18.

2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 33 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

DC31 Nkangala - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available											
Cash/cash equivalents at the year end	1	285 125	298 656	325 478	152 548	213 114	335 839	410 166	125 318	124 456	164 993
Other current investments > 90 days		162 923	167 396	76 305	(90 109)	(150 675)	168 626	94 299	179 147	154 167	139 472
Non current assets - Investments	1	38 855	31 085	33 756	144 682	144 682	33 756	33 756	–	–	–
Cash and investments available:		486 903	497 138	435 539	207 122	207 122	538 221	538 221	304 465	278 623	304 465
Application of cash and investments											
Unspent conditional transfers		–	–	1 000	–	–	4 000	6 866	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	127 700	71 487	71 189	33 039	33 039	1 081 365	1 432 653	27 501	27 501	27 501
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		127 700	71 487	72 189	33 039	33 039	1 085 365	1 439 519	27 501	27 501	27 501
Surplus(shortfall)		359 202	425 651	363 351	174 083	174 083	(547 144)	(901 298)	276 963	251 121	276 963

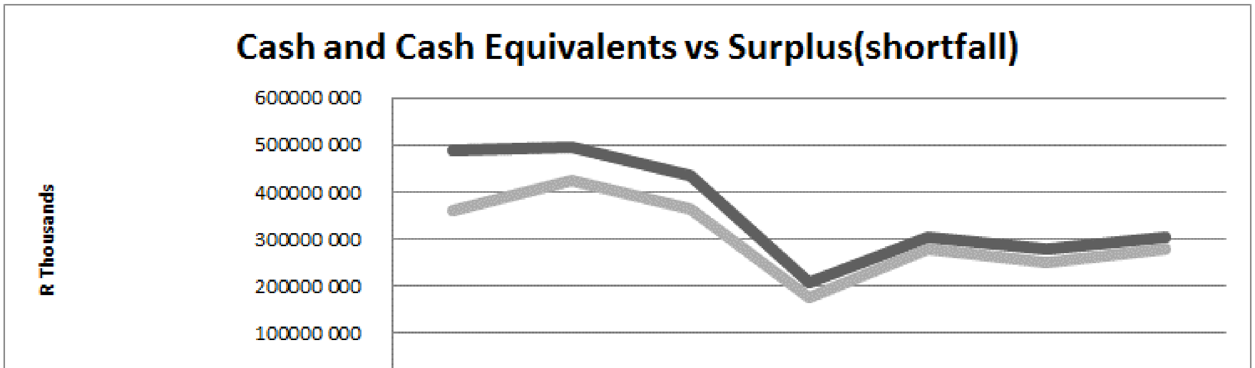
From the above table it can be seen that the cash and investments available total R206,365 million in the 2015/16 financial year and progressively decrease to R70,198 million by 2017/18, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- From the table it can be seen that for the period 2011/12 to 2013/14 the surplus increased from R359,202 million to R363,351 million.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2014/15 MTREF was sufficiently funded.
- As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

Figure 7 Cash and cash equivalents / Cash backed reserves and accumulated funds



	2011/12 Audited Outcome	2012/13 Audited Outcome	2013/14 Audited Outcome	Current Year 2014/15 Adjusted Budget	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Cash and investments available:	486902 834	497137 561	435539 261	207121 502	304464 699	278622 699	304464 699
Surplus(shortfall)	359202 394	425650 828	363350 641	174082 733	276963 377	251121 377	276963 377

2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 34 MBRR SA10 – Funding compliance measurement

DC31 Nkangala Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	285 125	298 656	325 478	152 548	213 114	335 839	410 166	125 318	124 456	164 993
Cash + investments at the yr end less applications - R'000	18(1)b	2	359 202	425 651	363 351	174 083	174 083	(547 144)	(901 298)	276 963	251 121	276 963
Cash year end/monthly employee/supplier payments	18(1)b	3	10.6	10.2	10.3	4.0	6.5	19.6	37.6	3.2	4.2	6.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(6.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	(400.4%)	(96.2%)	(52.1%)	0.0%	0.0%	(2713.9%)	(3618.5%)	0.0%	0.0%	0.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	6.9%	0.0%	0.0%	13.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	590.3%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	(6.8%)	(59.5%)	(93.3%)
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	16.8%	5.3%	(58.7%)	0.0%	299.3%	0.0%	299.3%	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	33.6%	38.6%	55.7%	40.2%	15.1%	16.9%	15.5%	11.1%	10.3%	7.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.6.4.1 Cash/cash equivalent position

The District's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2015/16 MTREF shows R125,318 million, R124,456 million and R164,993 million for each respective financial year.

2.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 18, on page 27. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the District to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection. The ratio has been increasing for the period 2011/12 to 2013/14, moving from 10.6 to 10.3 with the adopted 2014/15 MTREF. As part of the 2015/16 MTREF the municipalities improving Project expenditure the cash position causes the ratio to down to 3.2 for 2015/2016 and then increases to 4.2 for the

2016/17 and to 6.2 in the 2017/18 year. It can be concluded that the District maintains a stable cash position.

2.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs.

The surplus excluding depreciation offsets declined from (2,091) million in 2011/2012 to a deficit of (73,355) million in 2013/14. It should be noted that the surplus of R96,578 million estimated in 2014/15. The deficit of R147,392 is budgeted for 2015/16 is mainly due to the current commitments on contributions to local municipalities, which is funded from accumulated surpluses.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

This ratio does not apply to the District as no property rates /service charges is collected by the District.

2.6.4.6 Cash receipts as a percentage of other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 99 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.4.7 Debt impairment expense as a percentage of billable revenue

With effect from 1 July 2006 RSC levies were abolished and replaced with a transitional replacement grant and the District has no billable revenue.

2.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

2.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been be excluded. No additional borrowings are undertaken.

2.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The District has budgeted for all transfers.

2.6.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding consumer debtors are realistic. With effect from 1 July 2006 RSC levies were abolished and replaced with a transitional replacement grant and the District has only a few sundry debtors, mostly relating to the renting out of office space.

2.6.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the District's strategy pertaining to asset management and repairs and maintenance is contained in Table 47 MBRR SA34C on page 101.

2.6.4.13 Asset renewal/rehabilitation expenditure level

The District's only infrastructure assets are the office building, Thembisile Fire Station and the Dr JS Moroka Fire Station. This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 35 MBRR SA19 - Expenditure on transfers and grant programmes

Nkangala District Municipality DC31 - Supporting Table SA19 Expenditure on transfers and grant programme

DC31 Nkangala - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		294 224	303 175	311 990	322 322	322 322	322 322	330 683	335 805	342 677
Local Government Equitable Share		291 974	299 711	308 850	318 017	318 017	318 017	326 223	333 595	340 394
Finance Management		1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250
Municipal Systems Improvement		1 000	1 000	890	934	934	934	930	960	1 033
EPWP		–	1 214	1 000	2 121	2 121	2 121	2 280	–	–
Provincial Government:		199	1 381	1 763	3 175	5 363	3 813	4 000	–	–
Provincial Treasury Data cleansing		199	1 381	1 763	3 175	5 363	3 813	4 000	–	–
Other grant providers:		688	6	60	–	5 563	5 563	–	–	–
Pulblic donation mining house		688	6	60	–	5 563	5 563	–	–	–
Total operating expenditure of Transfers and Grants		295 110	304 562	313 813	325 497	333 248	331 698	334 683	335 805	342 677
Capital expenditure of Transfers and Grants										
National Government:		–	–	–	–	–	–	2 010	2 076	2 180
Rural asset management roads grant		–	–	–	–	–	–	2 010	2 076	2 180
Other grant providers:		–	–	–	–	510	510	–	–	–
Donated assets		–	–	–	–	510	510	–	–	–
Total capital expenditure of Transfers and Grants		–	–	–	–	510	510	2 010	2 076	2 180
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		295 110	304 562	313 813	325 497	333 758	332 208	336 693	337 881	344 857

Table 36 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

DC31 Nkangala - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		294 224	303 175	311 990	322 322	322 322	322 322	330 683	335 805	342 677
Conditions met - transferred to revenue		294 224	303 175	311 990	322 322	322 322	322 322	330 683	335 805	342 677
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts		199	1 381	1 763	3 175	5 363	3 813	4 000	–	–
Conditions met - transferred to revenue		199	1 381	1 763	3 175	5 363	3 813	4 000	–	–
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year			–	–	–	–	–	–	–	–
Current year receipts		688	6	60	–	5 563	5 563	–	–	–
Conditions met - transferred to revenue		688	6	60	–	5 563	5 563	–	–	–
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		295 110	304 562	313 813	325 497	333 248	331 698	334 683	335 805	342 677
Total operating transfers and grants - CTBM	2	–	–	–	–	–	–	–	–	–
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		–	–	–	–	–	–	2 010	2 076	2 180
Conditions met - transferred to revenue		–	–	–	–	–	–	2 010	2 076	2 180
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts		–	–	–	–	510	510	–	–	–
Conditions met - transferred to revenue		–	–	–	–	510	510	–	–	–
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		–	–	–	–	510	510	2 010	2 076	2 180
Total capital transfers and grants - CTBM	2	–	–	–	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE		295 110	304 562	313 813	325 497	333 758	332 208	336 693	337 881	344 857
TOTAL TRANSFERS AND GRANTS - CTBM		–	–	–	–	–	–	–	–	–

2.8 Councilor and employee benefits

Table 37 MBRR SA22 - Summary of councillor and staff benefits

DC31 Nkangala - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		8 786	9 184	9 658	15 491	14 186	9 869	15 567	16 424	17 327
Pension and UIF Contributions		959	1 034	1 107	–	1 129	1 127	–	–	–
Medical Aid Contributions		150	200	225	–	176	175	–	–	–
Motor Vehicle Allowance		–	–	–	–	–	–	–	–	–
Cellphone Allowance		360	467	608	585	585	603	621	655	691
Housing Allowances		–	–	–	–	–	–	–	–	–
Other benefits and allowances		–	–	–	–	–	–	–	–	–
Sub Total - Councillors		10 255	10 885	11 598	16 076	16 076	11 773	16 189	17 079	18 018
% increase	4		6.1%	6.6%	38.6%	0.0%	(26.8%)	37.5%	5.5%	5.5%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		–	–	–	–	–	–	5 946	6 273	6 618
Pension and UIF Contributions		246	314	325	60	197	232	–	–	–
Medical Aid Contributions		59	190	60	43	44	43	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	–	–	–	–	–	–	–	–	–
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	–	–	–	–	–	–	–	–	–
Other benefits and allowances	3	–	–	–	–	–	–	–	–	–
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality		305	504	385	103	240	275	5 946	6 273	6 618
% increase	4		65.5%	(23.7%)	(73.3%)	134.4%	14.3%	2 064.3%	5.5%	5.5%
Other Municipal Staff										
Basic Salaries and Wages		29 874	44 602	39 984	91 123	76 794	51 283	65 835	69 686	73 761
Pension and UIF Contributions		3 127	4 796	5 929	10 368	10 773	7 190	14 297	15 083	15 913
Medical Aid Contributions		2 015	4 998	6 028	8 889	8 809	3 532	8 941	9 433	9 952
Overtime		–	–	–	–	–	–	2 925	3 086	3 256
Performance Bonus		–	–	–	–	–	–	6 858	7 005	7 147
Motor Vehicle Allowance	3	2 206	3 469	3 567	3 227	7 298	4 751	2 041	2 320	2 465
Cellphone Allowance	3	14	37	159	350	1 240	–	3 403	3 683	3 326
Housing Allowances	3	70	81	87	2 028	1 400	109	2 035	2 147	2 265
Other benefits and allowances	3	–	–	–	–	–	–	–	–	–
Payments in lieu of leave		–	–	–	–	–	–	1 986	2 096	2 211
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	409	754	484	915	640	478	1 152	1 200	–
Sub Total - Other Municipal Staff		37 717	58 738	56 239	116 900	106 954	67 342	109 472	115 737	120 295
% increase	4		55.7%	(4.3%)	107.9%	(8.5%)	(37.0%)	62.6%	5.7%	3.9%
Total Parent Municipality		48 276	70 127	68 222	133 079	123 270	79 390	131 607	139 089	144 931
			45.3%	(2.7%)	95.1%	(7.4%)	(35.6%)	65.8%	5.7%	4.2%
TOTAL SALARY, ALLOWANCES & BENEFITS		48 276	70 127	68 222	133 079	123 270	79 390	131 607	139 089	144 931
% increase	4		45.3%	(2.7%)	95.1%	(7.4%)	(35.6%)	65.8%	5.7%	4.2%
TOTAL MANAGERS AND STAFF	5,7	38 021	59 242	56 624	117 003	107 194	67 617	115 418	122 010	126 913

Table 38 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

DC31 Nkangala - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Councillors	3							
Speaker	4							–
Chief Whip								–
Executive Mayor								–
Deputy Executive Mayor								–
Executive Committee								–
Total for all other councillors								–
Total Councillors	8	–	–	–	–			–
Senior Managers of the Municipality	5							
Municipal Manager (MM)								–
Chief Finance Officer								–
Total Senior Managers of the Municipality	8,10	–	–	–	–	–		–
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	–	–	–	–	–		–

Table 39 MBRR SA24 – Summary of personnel numbers

DC31 Nkangala - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2013/14			Current Year 2014/15			Budget Year 2015/16		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)										
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3									
Other Managers	7									
Professionals		–	–	–	–	–	–	–	–	–
Finance										
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Technicians		–	–	–	–	–	–	–	–	–
Finance										
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
TOTAL PERSONNEL NUMBERS	9	–	–	–	–	–	–	–	–	–
% increase					–	–	–	–	–	–
Total municipal employees headcount	6, 10									
Finance personnel headcount	8, 10									
Human Resources personnel headcount	8, 10									

2.9 Monthly targets for revenue, expenditure and cash flow

Table 40 MBRR SA25 - Budgeted monthly revenue by source and expenditure by type

DC31 Nkangala - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source																
Property rates		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - other		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		12	11	11	13	16	13	11	14	15	13	12	11	154	164	172
Interest earned - external investments		1 280	1 375	1 027	1 528	1 380	1 132	1 080	1 326	1 274	1 435	1 380	1 540	15 757	15 380	15 399
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Licences and permits		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Agency services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		132 159	2 262	420	420	108 758	400	250	934	88 330	250	250	250	334 683	335 805	342 677
Other revenue		60	70	50	20	60	10	5	45	30	100	85	342	877	931	971
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and cont		133 511	3 718	1 508	1 981	110 214	1 555	1 346	2 319	89 649	1 798	1 727	2 143	351 471	352 280	359 218
Expenditure By Type																
Employee related costs		9 697	9 629	9 612	9 629	9 612	9 639	9 597	9 629	9 612	9 639	9 547	9 682	115 518	122 010	126 913
Remuneration of councillors		1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	16 189	17 079	18 018
Debt impairment		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment		640	640	640	640	640	640	640	640	640	640	640	640	7 678	6 695	6 507
Finance charges		164	164	164	164	164	164	164	164	164	164	184	164	1 989	1 554	1 533
Bulk purchases		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other materials		682	67	131	601	67	74	635	66	75	634	67	97	3 196	3 563	3 688
Contracted services		9 578	4 802	16 499	5 532	4 685	8 067	13 848	4 977	8 135	11 791	4 490	9 282	101 688	78 586	78 307
Transfers and grants		34 004	18 407	30 069	26 335	22 509	9 368	7 531	26 271	16 609	14 568	5 558	15 462	226 690	121 137	83 028
Other expenditure		4 401	1 729	2 077	2 166	2 398	2 582	2 716	1 749	1 959	2 710	1 750	1 688	27 926	31 337	30 117
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure		60 514	36 786	60 539	46 416	41 423	31 882	36 481	44 845	38 543	41 495	23 585	38 364	500 873	381 961	348 111
Surplus/(Deficit)		72 997	(33 068)	(59 031)	(44 435)	68 791	(30 327)	(35 135)	(42 526)	51 107	(39 697)	(21 857)	(36 221)	(149 402)	(29 682)	11 107
Transfers recognised - capital		–	2 010	–	–	–	–	–	–	–	–	–	–	2 010	2 076	2 180
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		72 997	(31 058)	(59 031)	(44 435)	68 791	(30 327)	(35 135)	(42 526)	51 107	(39 697)	(21 857)	(36 221)	(147 392)	(27 606)	13 287
Taxation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Attributable to minorities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit)	1	72 997	(31 058)	(59 031)	(44 435)	68 791	(30 327)	(35 135)	(42 526)	51 107	(39 697)	(21 857)	(36 221)	(147 392)	(27 606)	13 287

Table 41 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

DC31 Nkangala - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote																
Vote 1 - Council General and Executive		1	–	–	2	5	2	–	3	4	2	1	–	20	21	22
Vote 2 - Municipal Manager Town Secretary and Chie		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 3 - Finance		133 510	5 728	1 508	1 979	110 209	1 553	1 346	2 316	89 645	1 796	1 726	2 143	353 461	354 335	361 376
Vote 4 - Social Services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 5 - Local Economic Development		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 6 - Development and Planning		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 7 - Technical Services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 8 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 9 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 10 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 11 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 12 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue by Vote		133 511	5 728	1 508	1 981	110 214	1 555	1 346	2 319	89 649	1 798	1 727	2 143	353 481	354 356	361 398
Expenditure by Vote to be appropriated																
Vote 1 - Council General and Executive		5 884	2 821	3 016	5 858	3 762	3 063	4 168	2 913	3 260	3 405	3 305	3 165	44 620	46 530	49 673
Vote 2 - Municipal Manager Town Secretary and Chie		6 829	6 817	7 616	6 958	6 808	7 291	6 716	7 158	6 898	7 557	6 487	(12 912)	64 223	71 544	77 108
Vote 3 - Finance		3 279	3 735	3 712	2 686	2 510	2 188	2 305	2 212	2 230	5 232	2 204	3 269	35 561	28 031	23 898
Vote 4 - Social Services		3 058	2 922	2 942	3 145	3 170	3 342	4 150	2 922	3 915	3 250	2 952	36 584	72 353	61 838	60 716
Vote 5 - Local Economic Development		5 419	2 471	10 393	2 701	1 471	3 074	11 086	1 269	2 786	8 106	1 244	2 386	52 404	37 207	46 774
Vote 6 - Development and Planning		1 689	589	5 494	1 839	589	4 994	989	1 189	4 504	1 089	1 294	3 494	27 757	18 435	17 528
Vote 7 - Technical Services		34 356	17 431	27 366	23 229	23 113	7 930	7 067	27 182	14 949	12 856	6 098	2 378	203 955	118 376	72 414
Vote 8 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 9 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 10 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 11 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 12 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 13 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 14 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 15 -		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure by Vote		60 514	36 786	60 539	46 416	41 423	31 882	36 481	44 845	38 543	41 495	23 585	38 364	500 873	381 961	348 111
Surplus/(Deficit) before assoc.		72 997	(31 058)	(59 031)	(44 435)	68 791	(30 327)	(35 135)	(42 526)	51 107	(39 697)	(21 857)	(36 221)	(147 392)	(27 606)	13 287
Taxation													–	–	–	–
Attributable to minorities													–	–	–	–
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	72 997	(31 058)	(59 031)	(44 435)	68 791	(30 327)	(35 135)	(42 526)	51 107	(39 697)	(21 857)	(36 221)	(147 392)	(27 606)	13 287

Table 42 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

DC31 Nkangala - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard																
Governance and administration		133 511	5 728	1 508	1 981	110 214	1 555	1 346	2 319	89 649	1 798	1 727	2 143	353 481	354 356	361 398
Executive and council		1	–	–	2	5	2	–	3	4	2	1	–	20	21	22
Budget and treasury office		133 510	5 728	1 508	1 979	110 209	1 553	1 346	2 316	89 645	1 796	1 726	2 143	353 461	354 335	361 376
Corporate services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Community and public safety		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Community and social services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Planning and development		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Road transport		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Electricity		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue - Standard		133 511	5 728	1 508	1 981	110 214	1 555	1 346	2 319	89 649	1 798	1 727	2 143	353 481	354 356	361 398
Expenditure - Standard																
Governance and administration		14 221	11 615	11 932	13 748	11 345	10 838	11 414	10 550	10 655	14 417	10 278	13 391	144 404	146 105	150 680
Executive and council		8 656	5 518	5 706	8 544	6 553	5 688	6 835	5 954	5 900	6 650	5 932	7 790	79 726	84 088	89 675
Budget and treasury office		3 274	3 735	3 707	2 686	2 510	2 188	2 255	2 212	2 230	5 182	2 204	3 269	35 451	27 911	23 898
Corporate services		2 292	2 361	2 519	2 518	2 282	2 962	2 324	2 384	2 525	2 586	2 142	2 332	29 226	34 106	37 107
Community and public safety		4 829	4 681	5 354	4 899	4 904	5 046	5 926	4 655	5 648	5 026	4 670	16 715	72 353	61 838	60 716
Community and social services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public safety		2 659	2 494	2 544	2 746	2 494	2 744	3 751	2 494	3 149	2 851	2 494	14 479	44 897	33 108	31 643
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		2 170	2 187	2 810	2 153	2 411	2 302	2 174	2 161	2 499	2 175	2 177	2 236	27 456	28 730	29 074
Economic and environmental services		38 134	18 391	40 184	27 669	24 904	15 898	16 292	29 590	22 139	20 951	8 286	8 158	270 596	168 519	131 215
Planning and development		38 134	18 391	40 184	27 669	24 904	15 898	16 292	29 590	22 139	20 951	8 286	8 158	270 596	168 519	131 215
Road transport		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services		2 300	100	100	100	270	100	100	50	100	100	100	100	3 520	3 500	3 500
Electricity		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		2 300	100	100	100	270	100	100	50	100	100	100	100	3 520	3 500	3 500
Waste management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other		1 030	2 000	2 970	–	–	–	2 750	–	–	1 000	250	–	10 000	2 000	2 000
Total Expenditure - Standard		60 514	36 786	60 539	46 416	41 423	31 882	36 481	44 845	38 543	41 495	23 585	38 364	500 873	381 961	348 111
Surplus/(Deficit) before assoc.		72 997	(31 058)	(59 031)	(44 435)	68 791	(30 327)	(35 135)	(42 526)	51 107	(39 697)	(21 857)	(36 221)	(147 392)	(27 606)	13 287
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	72 997	(31 058)	(59 031)	(44 435)	68 791	(30 327)	(35 135)	(42 526)	51 107	(39 697)	(21 857)	(36 221)	(147 392)	(27 606)	13 287

Table 43 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

DC31 Nkangala - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Single-year expenditure</u> *to be appropriated*																
Vote 1 - Council General and Executive		20	5	325	2 000	1 175	30	–	–	10	325	–	20	3 910	1 441	1 027
Vote 2 - Municipal Manager Town Secretary and Chie		110	93	148	73	535	5 058	53	98	7 056	68	6 553	(227)	19 617	5 010	3 125
Vote 3 - Finance		–	3	–	–	37	–	–	–	–	–	–	–	39	42	45
Vote 4 - Social Services		2 535	1 538	–	250	3 578	2 890	–	4 650	4 078	2 400	2 253	2 553	26 724	–	80
Vote 5 - Local Economic Development		–	3	–	–	19	–	–	–	–	–	–	–	22	–	20
Vote 6 - Development and Planning		–	–	–	–	–	–	–	–	–	–	–	–	–	–	50
Vote 7 - Technical Services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total	2	2 665	1 640	473	2 323	5 344	7 978	53	4 748	11 144	2 793	8 806	2 346	50 312	6 493	4 346
Total Capital Expenditure	2	2 665	1 640	473	2 323	5 344	7 978	53	4 748	11 144	2 793	8 806	2 346	50 312	6 493	4 346

Table 44 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

DC31 Nkangala - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Expenditure - Standard	1															
Governance and administration		130	98	473	2 073	1 450	5 088	53	98	7 066	393	6 553	93	23 567	6 493	4 196
Executive and council		28	11	326	2 001	1 356	31	1	1	14	326	1	21	4 120	1 571	1 184
Budget and treasury office		–	3	–	–	37	–	–	–	–	–	–	–	39	42	45
Corporate services		102	84	147	72	57	5 057	52	97	7 052	67	6 552	72	19 407	4 880	2 968
Community and public safety		2 535	1 540	–	250	3 875	2 890	–	4 650	4 078	2 400	2 253	2 253	26 724	–	80
Community and social services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public safety		2 535	1 538	–	250	3 578	2 890	–	4 650	4 078	2 400	2 253	2 253	26 424	–	30
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		–	3	–	–	298	–	–	–	–	–	–	–	300	–	50
Economic and environmental services		–	3	–	–	19	–	–	–	–	–	–	–	22	–	70
Planning and development		–	3	–	–	19	–	–	–	–	–	–	–	22	–	70
Road transport		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Electricity		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	2	2 665	1 640	473	2 323	5 344	7 978	53	4 748	11 144	2 793	8 806	2 346	50 312	6 493	4 346
Funded by:																
National Government													–	–	–	–
Provincial Government													–	–	–	–
District Municipality													–	–	–	–
Other transfers and grants													–	–	–	–
Transfers recognised - capital		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public contributions & donations													–	–	–	–
Borrowing													–	–	–	–
Internally generated funds		2 665	1 640	473	2 323	5 344	7 978	53	4 748	11 144	2 793	8 806	2 346	50 312	6 493	4 346
Total Capital Funding		2 665	1 640	473	2 323	5 344	7 978	53	4 748	11 144	2 793	8 806	2 346	50 312	6 493	4 346

Table 45 MBRR SA30 - Budgeted monthly cash flow

DC31 Nkangala - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash Receipts By Source													1		
Rental of facilities and equipment	12	11	11	13	16	13	11	14	15	13	12	11	154	164	172
Interest earned - external investments	1 280	1 375	1 027	1 528	1 380	1 132	1 080	1 326	1 274	1 435	1 380	1 540	15 757	15 380	15 399
Interest earned - outstanding debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Licences and permits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Agency services	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer receipts - operational	132 159	2 262	420	420	108 758	400	250	934	88 330	250	250	250	334 683	335 805	342 677
Other revenue	60	70	50	20	60	10	5	45	30	100	85	342	877	931	971
Cash Receipts by Source	133 511	3 718	1 508	1 981	110 214	1 555	1 346	2 319	89 649	1 798	1 727	2 143	351 471	352 280	359 218
Other Cash Flows by Source															
Transfer receipts - capital	–	2 010	–	–	–	–	–	–	–	–	–	–	2 010	2 076	2 180
Contributions recognised - capital & Contributed a	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	12 164	(286)	(286)	(286)	(286)	(286)	(286)	(286)	(286)	(286)	(286)	(12 735)	(3 426)	(3 864)	(4 057)
Increase (decrease) in consumer deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivable	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	(33 756)	–	–	–	–	–	–	–	–	–	–	–	(33 756)	–	–
Total Cash Receipts by Source	111 919	5 443	1 223	1 696	109 928	1 270	1 061	2 034	89 364	1 513	1 442	(10 592)	316 298	350 492	357 341
Cash Payments by Type															
Employee related costs	9 697	9 629	9 612	9 629	9 612	9 639	9 597	9 629	9 612	9 639	9 547	9 682	115 518	122 010	126 913
Remuneration of councillors	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	1 349	16 189	17 079	18 018
Finance charges	164	164	164	164	164	164	164	164	164	164	184	164	1 989	1 554	1 533
Bulk purchases - Electricity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other materials	682	67	131	601	67	74	635	66	75	634	67	97	3 196	3 563	3 688
Contracted services	9 578	4 802	16 499	5 532	4 685	8 067	13 848	4 977	8 135	11 791	4 490	9 282	101 688	78 586	78 307
Transfers and grants - other municipalities	34 004	18 407	30 069	26 335	22 509	9 368	7 531	26 271	16 609	14 568	5 558	15 462	226 690	121 137	83 028
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	60	70	50	20	60	10	5	45	30	100	85	342	877	931	971
Cash Payments by Type	55 533	34 487	57 873	43 630	38 445	28 671	33 130	42 501	35 973	38 245	21 279	36 379	466 146	344 861	312 458
Other Cash Flows/Payments by Type															
Capital assets	2 665	1 640	473	2 323	5 344	7 978	53	4 748	11 144	2 793	8 806	2 346	50 312	6 493	4 346
Repayment of borrowing	27 904	–	–	–	–	–	–	–	–	–	–	(27 904)	–	–	–
Other Cash Flows/Payments												–			
Total Cash Payments by Type	86 102	36 128	58 346	45 953	43 789	36 649	33 183	47 249	47 117	41 038	30 085	10 821	516 458	351 354	316 804
NET INCREASE/(DECREASE) IN CASH HELD	25 817	(30 685)	(57 123)	(44 257)	66 139	(35 379)	(32 122)	(45 215)	42 247	(39 526)	(28 644)	(21 412)	(200 160)	(862)	40 537
Cash/cash equivalents at the month/year begin:	325 478	351 294	320 609	263 486	219 229	285 368	249 989	217 867	172 652	214 899	175 374	146 730	325 478	125 318	124 456
Cash/cash equivalents at the month/year end:	351 294	320 609	263 486	219 229	285 368	249 989	217 867	172 652	214 899	175 374	146 730	125 318	125 318	124 456	164 993

Table 46 MBRR SA34a – Capital expenditure on new assets by class

DC31 Nkangala - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure on new assets by Asset Class/Sub-class										
Other assets		–	–	–	29 664	28 222	–	45 312	3 493	1 846
General vehicles		–	–	–	–	–	–	–	–	–
Specialised vehicles	10	–	–	–	–	–	–	–	–	–
Plant & equipment		–	–	–	29 664	28 222	–	45 312	3 493	1 846
Computers - hardware/equipment		–	–	–	–	–	–	–	–	–
Furniture and other office equipment		–	–	–	–	–	–	–	–	–
Abattoirs		–	–	–	–	–	–	–	–	–
Markets		–	–	–	–	–	–	–	–	–
Civic Land and Buildings		–	–	–	–	–	–	–	–	–
Other Buildings		–	–	–	–	–	–	–	–	–
Other Land		–	–	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)		–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
Agricultural assets		–	–	–	–	–	–	–	–	–
List sub-class		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
List sub-class		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	4 190	5 124	–	5 000	3 000	2 500
Computers - software & programming		–	–	–	4 190	5 124	–	5 000	3 000	2 500
Other *(list sub-class)*		–	–	–	–	–	–	–	–	–
Total Capital Expenditure on new assets	1	–	–	–	33 853	33 346	–	50 312	6 493	4 346

Specialised vehicles		–	–	–	–	–	–	–	–	–
Refuse		–	–	–	–	–	–	–	–	–
Fire		–	–	–	–	–	–	–	–	–
Conservancy		–	–	–	–	–	–	–	–	–
Ambulances		–	–	–	–	–	–	–	–	–

Table 47 MBRR SA34c – Repairs & Maintenance by asset class

DC31 Nkangala - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and maintenance expenditure by Asset Class/Sub-class										
Other assets		28 864	35 520	54 886	44 525	18 695	18 475	16 915	15 670	10 439
General vehicles		–	–	–	–	–	–	–	–	–
Specialised vehicles	10	–	–	–	–	–	–	–	–	–
Plant & equipment		–	–	–	–	–	–	–	–	–
Computers - hardware/equipment		–	–	–	–	–	–	–	–	–
Furniture and other office equipment		24	38	63	3 037	537	9	6 105	5 475	5 919
Abattoirs		–	–	–	–	–	–	–	–	–
Markets		–	–	–	–	–	–	–	–	–
Civic Land and Buildings		9 032	10 839	13 078	20 259	5 000	3 191	10 805	10 190	4 515
Other Buildings		–	–	–	–	–	–	–	–	–
Other Land		–	–	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)		–	–	–	–	–	–	–	–	–
Other		19 808	24 642	41 745	21 229	13 158	15 274	5	5	5
Agricultural assets		–	–	–	–	–	–	–	–	–
List sub-class		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
List sub-class		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Computers - software & programming		–	–	–	–	–	–	–	–	–
Other *(list sub-class)*		–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	1	28 864	35 520	54 886	44 525	18 695	18 475	16 915	15 670	10 439
Specialised vehicles		–	–	–	–	–	–	–	–	–
Refuse		–	–	–	–	–	–	–	–	–
Fire		–	–	–	–	–	–	–	–	–
Conservancy		–	–	–	–	–	–	–	–	–
Ambulances		–	–	–	–	–	–	–	–	–
R&M as a % of PPE		*33.6%*	*38.6%*	*55.7%*	*40.2%*	*15.1%*	*16.9%*	*11.1%*	*10.3%*	*7.0%*
R&M as % Operating Expenditure		*8.7%*	*9.7%*	*13.1%*	*9.1%*	*4.3%*	*7.4%*	*3.4%*	*4.1%*	*3.0%*

DC31 Nkangala - Supporting Table SA34d Depreciation by asset class

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Depreciation by Asset Class/Sub-class										
Infrastructure		–	–	251	–	260	250	256	256	256
Infrastructure - Road transport		–	–	251	–	260	250	256	256	256
Roads, Pavements & Bridges		–	–	251	–	260	250	256	256	256
Storm water		–	–	–	–	–	–	–	–	–
Other assets		7 557	8 220	7 664	9 572	7 835	7 194	7 328	6 336	6 148
General vehicles		1 067	944	1 685	1 089	2 215	2 097	2 311	2 301	2 243
Specialised vehicles	10	–	–	–	–	–	–	–	–	–
Plant & equipment		–	–	–	–	–	–	–	–	–
Computers - hardware/equipment		–	–	1 609	–	1 760	1 627	1 467	813	731
Furniture and other office equipment		6 490	7 276	2 160	8 483	1 610	1 264	1 299	969	922
Abattoirs		–	–	–	–	–	–	–	–	–
Markets		–	–	–	–	–	–	–	–	–
Civic Land and Buildings		–	–	–	–	–	–	–	–	–
Other Buildings		–	–	2 210	–	2 250	2 207	2 252	2 252	2 252
Other Land		–	–	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)		–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
Agricultural assets		–	–	–	–	–	–	–	–	–
List sub-class		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
List sub-class		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Computers - software & programming		–	–	–	–	–	–	–	–	–
Other *(list sub-class)*		–	–	–	–	–	–	–	–	–
Total Depreciation	1	7 557	8 220	7 915	9 572	8 095	7 445	7 584	6 591	6 404

Specialised vehicles		–	–	–	–	–	–	–	–	–
Refuse		–	–	–	–	–	–	–	–	–
Fire		–	–	–	–	–	–	–	–	–
Conservancy		–	–	–	–	–	–	–	–	–
Ambulances		–	–	–	–	–	–	–	–	–

Table 48 MBRR SA35 – Future financial implications of the capital budget

DC31 Nkangala - Supporting Table SA35 Future financial implications of the capital budget

Vote Description	Ref	2015/16 Medium Term Revenue & Expenditure Framework			Forecasts			
R thousand		Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Present value
Capital expenditure	1							
Vote 1 - Council General and Executive		3 910	1 441	1 027				
Vote 2 - Municipal Manager Town Secretary and Chie		19 617	5 010	3 125				
Vote 3 - Finance		39	42	45				
Vote 4 - Social Services		26 724	–	80				
Vote 5 - Local Economic Development		22	–	20				
Vote 6 - Development and Planning		–	–	50				
Vote 7 - Technical Services		–	–	–				
Vote 8 -		–	–	–				
Vote 9 -		–	–	–				
Vote 10 -		–	–	–				
Vote 11 -		–	–	–				
Vote 12 -		–	–	–				
Vote 13 -		–	–	–				
Vote 14 -		–	–	–				
Vote 15 -		–	–	–				
List entity summary if applicable								
Total Capital Expenditure		50 312	6 493	4 346	–	–	–	–
Future operational costs by vote	2							
Vote 1 - Council General and Executive								
Vote 2 - Municipal Manager Town Secretary and Chief Executive								
Vote 3 - Finance								
Vote 4 - Social Services								
Vote 5 - Local Economic Development								
Vote 6 - Development and Planning								
Vote 7 - Technical Services								
Vote 8 -								
Vote 9 -								
Vote 10 -								
Vote 11 -								
Vote 12 -								
Vote 13 -								
Vote 14 -								
Vote 15 -								
List entity summary if applicable								
Total future operational costs		–	–	–	–	–	–	–
Future revenue by source	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
List other revenues sources if applicable								
List entity summary if applicable								
Total future revenue		–	–	–	–	–	–	–
Net Financial Implications		50 312	6 493	4 346	–	–	–	–

Table 49 MBRR SA1 – Supporting detail to budgeted financial performance

DC31 Nkangala - Supporting Table SA1 Supportinging detail to 'Budgeted Financial Performance'

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Other Revenue by source											
Other income		4 509	3 208	2 207	660	660	490	367	877	931	971
Total 'Other' Revenue	1	4 509	3 208	2 207	660	660	490	367	877	931	971
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	29 874	44 602	39 984	91 123	76 794	51 283	34 189	71 781	75 959	80 380
Pension and UIF Contributions		3 373	5 110	6 254	10 428	10 969	7 422	4 948	14 297	15 083	15 913
Medical Aid Contributions		2 074	5 188	6 088	8 931	8 853	3 575	2 383	8 941	9 433	9 952
Overtime		–	–	–	–	–	–	–	2 925	3 086	3 256
Performance Bonus		–	–	–	–	–	–	–	6 858	7 005	7 147
Motor Vehicle Allowance		2 206	3 469	3 567	3 227	7 298	4 751	3 167	2 041	2 320	2 465
Cellphone Allowance		14	37	159	350	1 240	–	–	3 403	3 683	3 326
Housing Allowances		70	81	87	2 028	1 400	109	73	2 035	2 147	2 265
Other benefits and allowances		409	754	484	915	640	478	319	1 152	1 200	–
Payments in lieu of leave		–	–	–	–	–	–	–	1 986	2 096	2 211
Long service awards		–	–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	4	–	–	–	–	–	–	–	–	–	–
sub-total	5	38 021	59 242	56 624	117 003	107 194	67 617	45 078	115 418	122 010	126 913
Less: Employees costs capitalised to PPE		–	–	–	–	–	–	–	(100)	–	–
Total Employee related costs	1	38 021	59 242	56 624	117 003	107 194	67 617	45 078	115 518	122 010	126 913
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment		7 557	8 220	7 915	9 572	8 095	7 445	4 963	7 584	6 591	6 404
Lease amortisation		–	–	401	–	130	96	64	94	104	104
Capital asset impairment		–	–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	10	–	–	–	–	–	–	–	–	–	–
Total Depreciation & asset impairment	1	7 557	8 220	8 315	9 572	8 225	7 540	5 027	7 678	6 695	6 507
Transfers and grants											
Cash transfers and grants		230 288	203 904	231 013	205 742	187 953	86 487	57 658	226 690	121 137	83 028
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
Total transfers and grants	1	230 288	203 904	231 013	205 742	187 953	86 487	57 658	226 690	121 137	83 028
Contracted services											
Outsourced		11 295	19 294	10 108	31 689	9 931	4 320	2 880	31 435	26 990	30 675
Professionals		(4 143)	16 598	6 526	35 634	30 993	21 074	14 049	46 555	30 485	33 985
Conrtractors		29 561	38 543	55 406	45 873	20 243	18 955	12 637	23 698	21 112	13 647
sub-total	1	36 712	74 435	72 040	113 196	61 167	44 349	29 566	101 688	78 586	78 307
Allocations to organs of state:											
Electricity											
Water											
Sanitation											
Other											
Total contracted services		36 712	74 435	72 040	113 196	61 167	44 349	29 566	101 688	78 586	78 307
Other Expenditure By Type											
General expenses	3	22 499	25 685	35 369	50 134	45 118	28 158	18 772	27 926	31 337	30 117
Total 'Other' Expenditure	1	22 499	25 685	35 369	50 134	45 118	28 158	18 772	27 926	31 337	30 117
Repairs and Maintenance	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure											
Total Repairs and Maintenance Expenditure	9	–	–	–	–	–	–	–	–	–	–

Table 50 MBRR SA2 – Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

DC31 Nkangala - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description R thousand	Ref 1	Vote 1 - Council General and Executive	Vote 2 - Municipal Manager Town	Vote 3 - Finance	Vote 4 - Social Services	Vote 5 - Local Economic Development	Vote 6 - Development and Planning	Vote 7 - Technical Services	Total
Revenue By Source									
Rental of facilities and equipment		20	–	134	–	–	–	–	154
Interest earned - external investments		–	–	15 757	–	–	–	–	15 757
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–
Other revenue		–	–	877	–	–	–	–	877
Transfers recognised - operational		–	–	334 683	–	–	–	–	334 683
Gains on disposal of PPE		–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and cont		20	–	351 451	–	–	–	–	351 471
Expenditure By Type									
Employee related costs		5 464	43 196	16 849	28 535	5 570	5 960	9 945	115 518
Remuneration of councillors		16 189	–	–	–	–	–	–	16 189
Debt impairment		–	–	–	–	–	–	–	–
Depreciation & asset impairment		3 119	401	130	3 872	66	91	–	7 678
Finance charges		1 941	6	21	–	–	–	20	1 989
Bulk purchases		–	–	–	–	–	–	–	–
Other materials		1 904	837	187	30	176	–	62	3 196
Contracted services		2 775	27 413	3 150	6 410	27 665	21 685	12 590	101 688
Transfers and grants		3 781	890	13 303	11 110	17 130	–	180 477	226 690
Other expenditure		9 448	13 037	1 921	840	1 797	21	861	27 926
Loss on disposal of PPE		–	–	–	–	–	–	–	–
Total Expenditure		44 620	85 779	35 561	50 797	52 404	27 757	203 955	500 873
Surplus/(Deficit)		(44 600)	(85 779)	315 890	(50 797)	(52 404)	(27 757)	(203 955)	(149 402)
Transfers recognised - capital		–	–	2 010	–	–	–	–	2 010
Contributions recognised - capital		–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(44 600)	(85 779)	317 900	(50 797)	(52 404)	(27 757)	(203 955)	(147 392)

DC31 Nkangala - Supporting Table SA3 Supportinging detail to 'Budgeted Financial Position'

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
ASSETS											
Call investment deposits											
Call deposits < 90 days		–	–	–	–	–	–	–	–	–	–
Other current investments > 90 days		437 065	457 511	395 570	53 564	53 564	413 721	413 721	213 721	187 879	213 721
Total Call investment deposits	2	437 065	457 511	395 570	53 564	53 564	413 721	413 721	213 721	187 879	213 721
Consumer debtors											
Consumer debtors		–	–	–	–	–	–	–	–	–	–
Less: Provision for debt impairment		–	–	–	–	–	–	–	–	–	–
Total Consumer debtors	2	–	–	–	–	–	–	–	–	–	–
Debt impairment provision											
Balance at the beginning of the year											
Contributions to the provision		–	–	–	–	–	–	–	–	–	–
Bad debts written off											
Balance at end of year		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)		125 930	133 472	123 676	164 502	157 022	137 949	137 949	188 261	194 754	199 100
Leases recognised as PPE	3	–	–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation		40 136	41 347	25 070	53 656	33 295	28 543	28 543	36 221	42 916	49 423
Total Property, plant and equipment (PPE)	2	85 795	92 125	98 606	110 846	123 727	109 406	109 406	152 040	151 838	149 677
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)		–	–	–	–	–	–	–	–	–	–
Current portion of long-term liabilities		6 568	6 753	6 659	(6 130)	(6 130)	(12 449)	(12 449)	(3 426)	(3 864)	(4 057)
Total Current liabilities - Borrowing		6 568	6 753	6 659	(6 130)	(6 130)	(12 449)	(12 449)	(3 426)	(3 864)	(4 057)
Trade and other payables											
Trade and other creditors		50 963	49 950	58 911	33 039	33 039	27 501	27 501	27 501	27 501	27 501
Unspent conditional transfers		–	–	1 000	–	–	4 000	6 866	–	–	–
VAT		–	–	–	–	–	–	–	–	–	–
Total Trade and other payables	2	50 963	49 950	59 911	33 039	33 039	31 501	34 367	27 501	27 501	27 501
Non current liabilities - Borrowing											
Borrowing	4	39 822	34 034	27 904	34 533	34 533	27 904	27 904	–	–	–
Finance leases (including PPP asset element)		85	29	–	–	–	–	–	–	–	–
Total Non current liabilities - Borrowing		39 906	34 063	27 904	34 533	34 533	27 904	27 904	–	–	–
Provisions - non-current											
Retirement benefits		7 128	9 596	12 545	7 478	7 478	12 545	12 545	12 545	12 545	12 545
List other major provision items											
Refuse landfill site rehabilitation		–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total Provisions - non-current		7 128	9 596	12 545	7 478	7 478	12 545	12 545	12 545	12 545	12 545
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		722 427	719 267	689 221	430 295	430 295	692 706	615 866	789 284	641 892	614 287
GRAP adjustments											
Restated balance		722 427	719 267	689 221	430 295	430 295	692 706	615 866	789 284	641 892	614 287
Surplus/(Deficit)		(2 091)	(30 046)	(73 355)	(144 683)	(83 278)	96 578	173 419	(147 392)	(27 606)	13 287
Appropriations to Reserves		–	–	–	–	–	–	–	–	–	–
Transfers from Reserves		–	–	–	–	–	–	–	–	–	–
Depreciation offsets											
Other adjustments		–	–					0			
Accumulated Surplus/(Deficit)	1	720 335	689 221	615 866	285 612	347 018	789 284	789 284	641 892	614 287	627 573
Reserves											
Housing Development Fund		–	–	–	–	–	–	–	–	–	–
Capital replacement		–	–	–	–	–	–	–	–	–	–
Self-insurance		–	–	–	–	–	–	–	–	–	–
Other reserves		–	–	–	–	–	–	–	–	–	–
Revaluation		–	–	–	–	–	–	–	–	–	–
Total Reserves	2	–	–	–	–	–	–	–	–	–	–

Table 51 MBRR SA6 – Reconciliation of IDP strategic objectives and budget (capital expenditure)

DC31 Nkangala - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 201
		A										
		B										
		C										
		D										
		E										
		F										
		G										
		H										
		I										
		J										
Allocations to other priorities			3									
Total Capital Expenditure			1	–	–	–	–	–	–	–	–	

Supporting detail to Budgeted Financial Position

Table 52 MBRR SA21 -Transfers & grants made by the municipality

DC31 Nkangala - Supporting Table SA21 Transfers and grants made by the municipality

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Y 2015/1
Cash Transfers to other municipalities									
Insert description	1	230 288	203 904	231 013	205 742	187 953	86 487	57 658	226
Total Cash Transfers To Municipalities:		230 288	203 904	231 013	205 742	187 953	86 487	57 658	226
TOTAL CASH TRANSFERS AND GRANTS	6	230 288	203 904	231 013	205 742	187 953	86 487	57 658	226
Non-Cash Transfers to other municipalities									
DR JS MOROKA LOCAL MUNICIPALITY		46 230	16 417		44 108				52
EMALAHLENI LOCAL MUNICIPALITY		61 598	45 770		31 717				16
THEMBISILE HANI LOCAL MUNICIPALITY		33 760	59 698		44 394				36
EMAKHAZENI LOCAL MUNICIPALITY		17 926	36 840		30 051				22
STEVE TSHWETE LOCAL MUNICIPALITY		30 750	24 897		36 679				55
VICTOR KHANYE LOCAL MUNICIPALITY		37 771	13 433		18 265				20
GENERAL	1	20 822	30 490		40 595				22
Total Non-Cash Transfers To Municipalities:		248 857	227 544	–	245 809	–	–	–	226
TOTAL NON-CASH TRANSFERS AND GRANTS		248 857	227 544	–	245 809	–	–	–	226
TOTAL TRANSFERS AND GRANTS	6	479 145	431 448	231 013	451 551	187 953	86 487	57 658	453

Municipal Manager's quality certificate

I, ...Alice L. Stander...., Acting Municipal Manager of Nkangala District Municipality, hereby certify that the Draft Annual Budget 2015/16 to 2017/18 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Draft Annual Budget 2015/16 and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature: ______________________

AL Stander

Acting Municipal Manager of Nkangala District Municipality (DC31)

Date: 2015/3/25

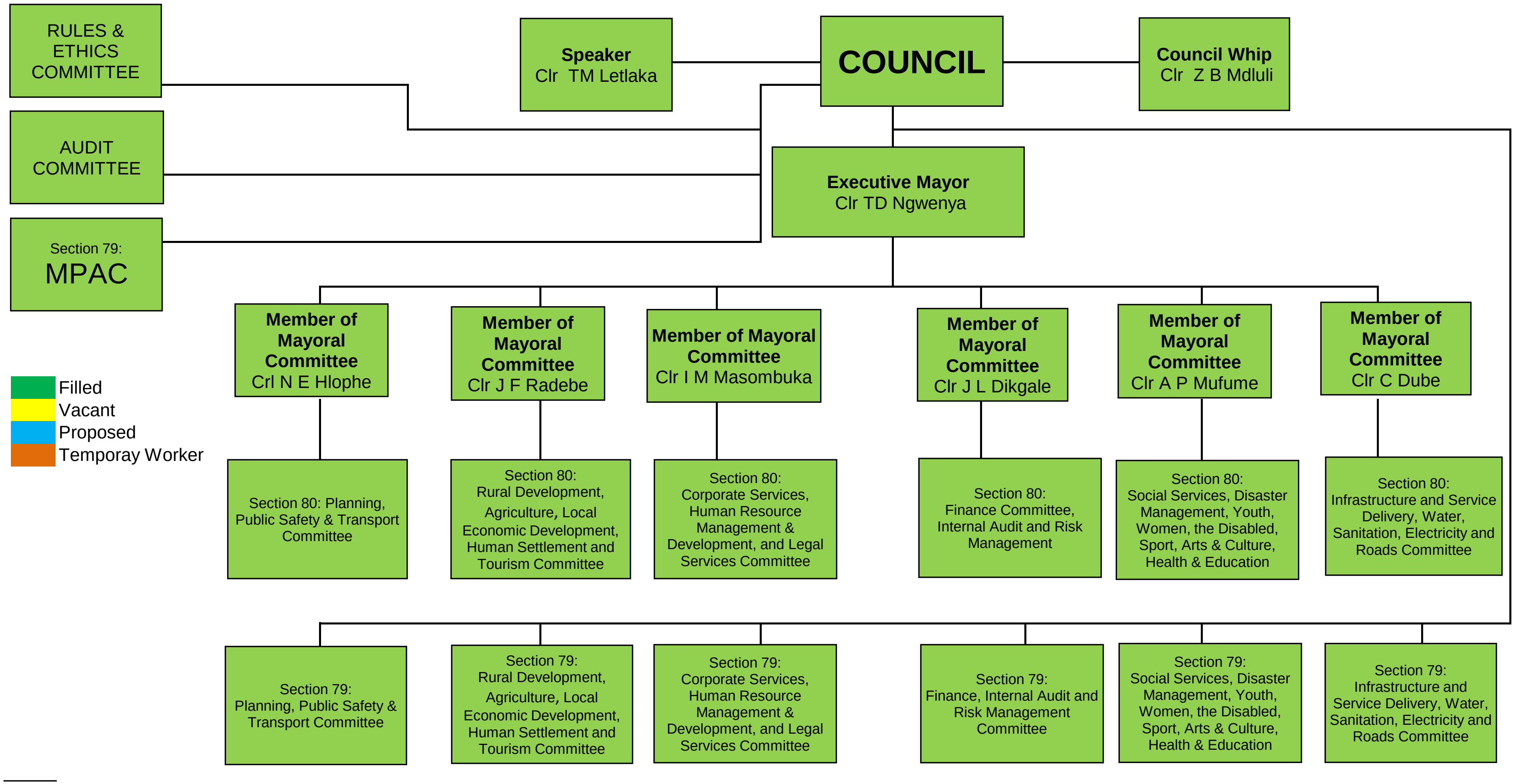
NDM

PROPOSED 2015 /2016

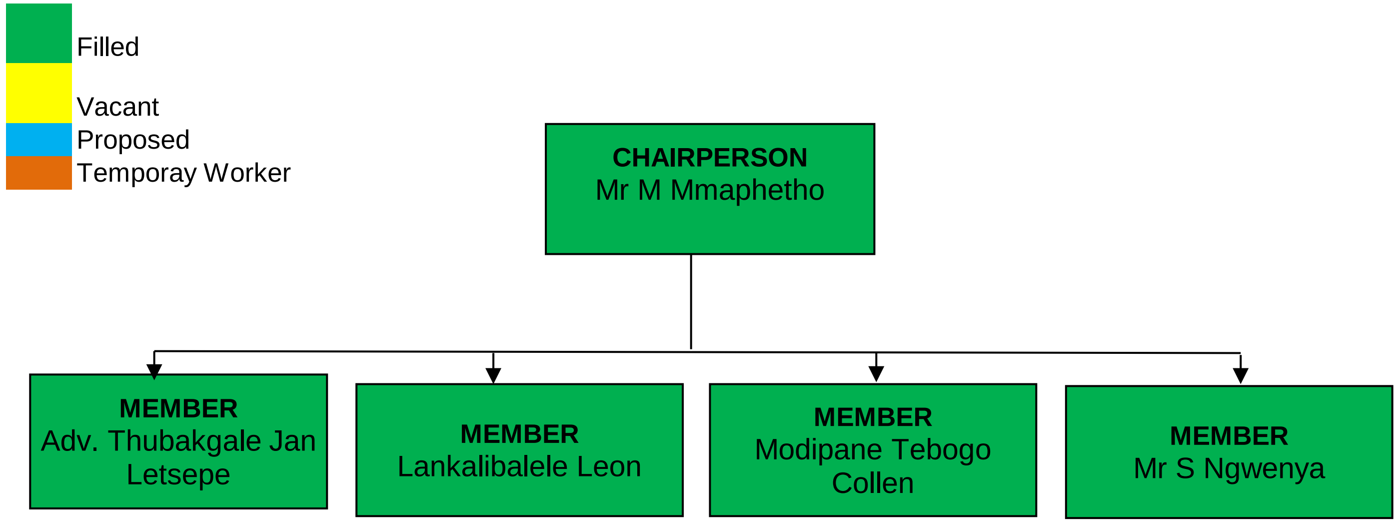
ORGANOGRAM

Organogram

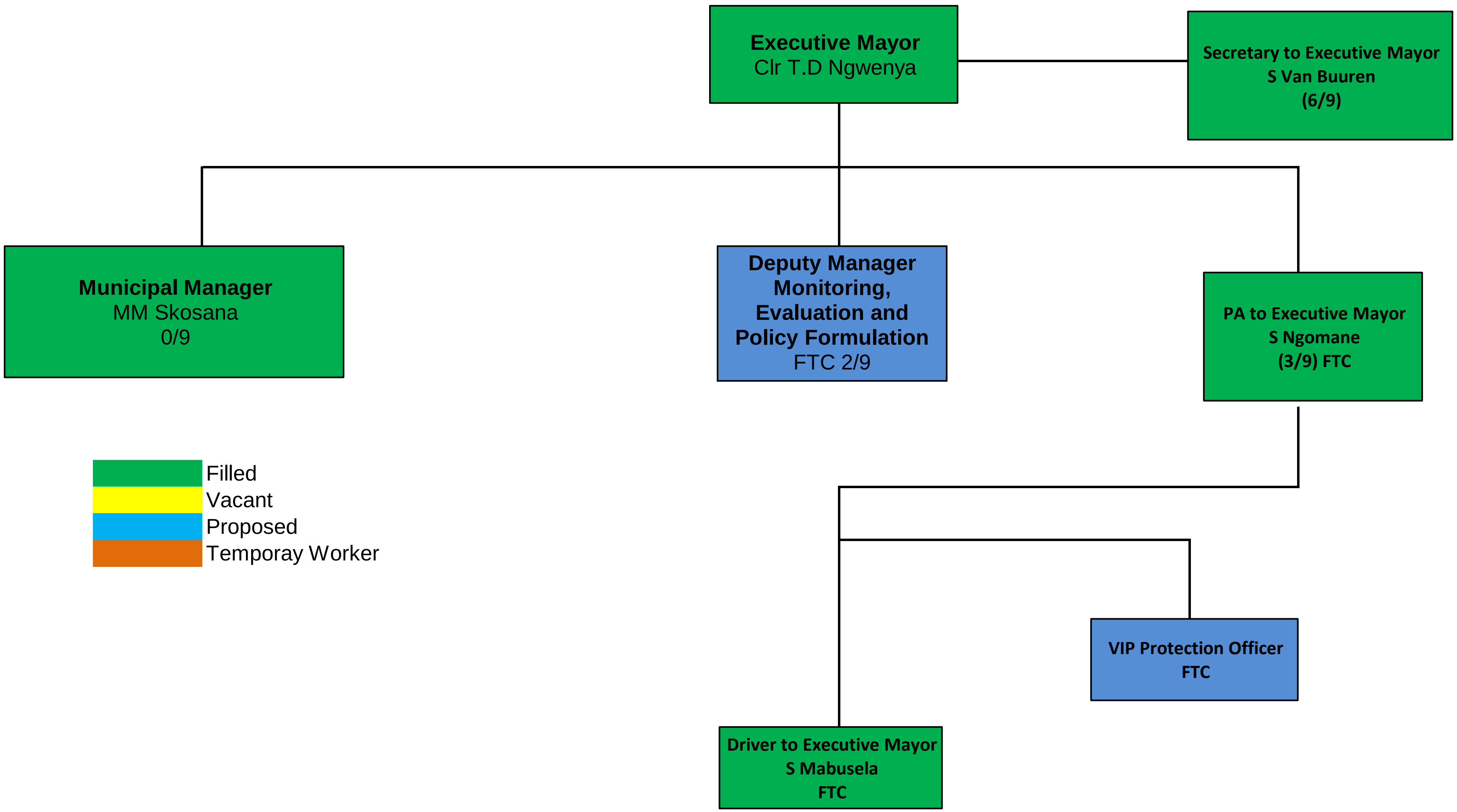
A copy of the revised Organogram for the 2015/2016 financial year is attached hereto and was approved by Council under item DM341/03/2015 on Wednesday 25 March 2015.


RULES & ETHICS COMMITTEE
Speaker Clr TM Letlaka
COUNCIL
Council Whip Clr Z B Mdluli
AUDIT COMMITTEE
Executive Mayor Clr TD Ngwenya
Section 79: MPAC
Member of Mayoral Committee Crl N E Hlophe
Member of Mayoral Committee Clr J F Radebe
Member of Mayoral Committee Clr I M Masombuka
Member of Mayoral Committee Clr J L Dikgale
Member of Mayoral Committee Clr A P Mufume
Member of Mayoral Committee Clr C Dube
Filled
Vacant
Proposed
Temporay Worker
Section 80: Planning, Public Safety & Transport Committee
Section 80: Rural Development, Agriculture, Local Economic Development, Human Settlement and Tourism Committee
Section 80: Corporate Services, Human Resource Management & Development, and Legal Services Committee
Section 80: Finance Committee, Internal Audit and Risk Management
Section 80: Social Services, Disaster Management, Youth, Women, the Disabled, Sport, Arts & Culture, Health & Education
Section 80: Infrastructure and Service Delivery, Water, Sanitation, Electricity and Roads Committee
Section 79: Planning, Public Safety & Transport Committee
Section 79: Rural Development, Agriculture, Local Economic Development, Human Settlement and Tourism Committee
Section 79: Corporate Services, Human Resource Management & Development, and Legal Services Committee
Section 79: Finance, Internal Audit and Risk Management Committee
Section 79: Social Services, Disaster Management, Youth, Women, the Disabled, Sport, Arts & Culture, Health & Education
Section 79: Infrastructure and Service Delivery, Water, Sanitation, Electricity and Roads Committee

ORGANOGRAM: AUDIT COMMITTEE

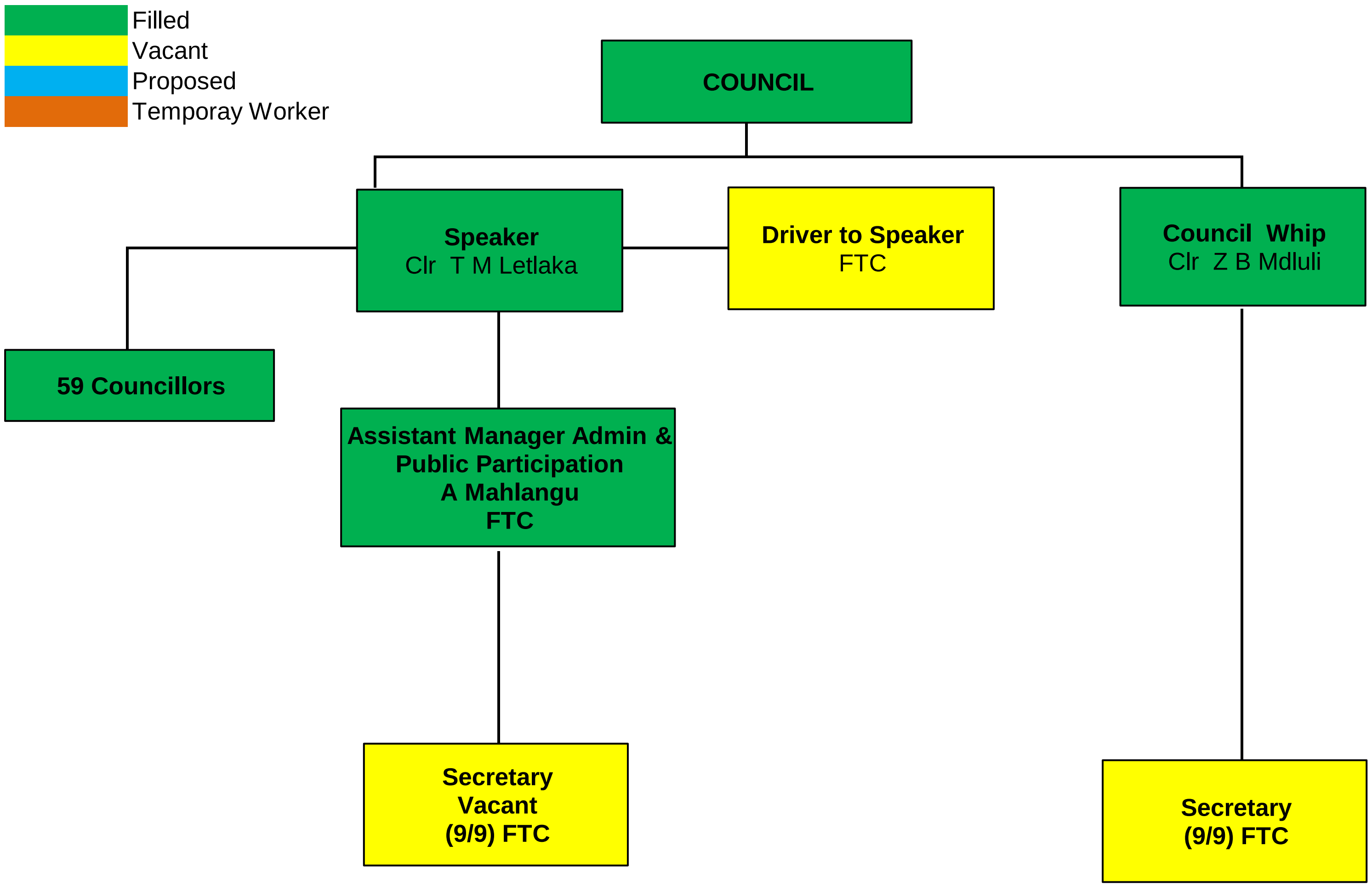


OFFICE OF THE EXECUTIVE MAYOR

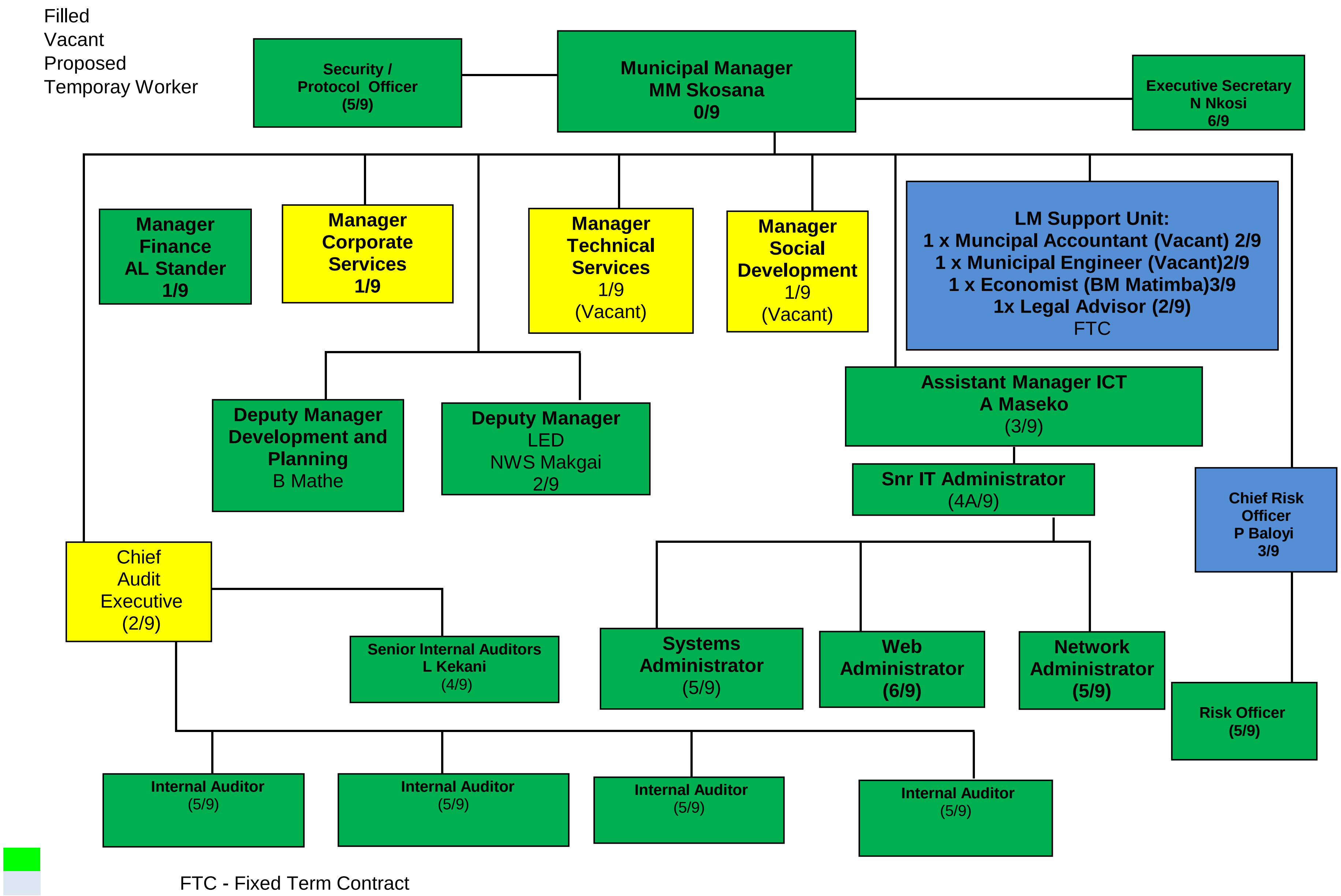


FTC = Fixed Term Contract Linked to the Term of Office of the Executive Mayor

OFFICE OF THE SPEAKER AND COUNCIL WHIP

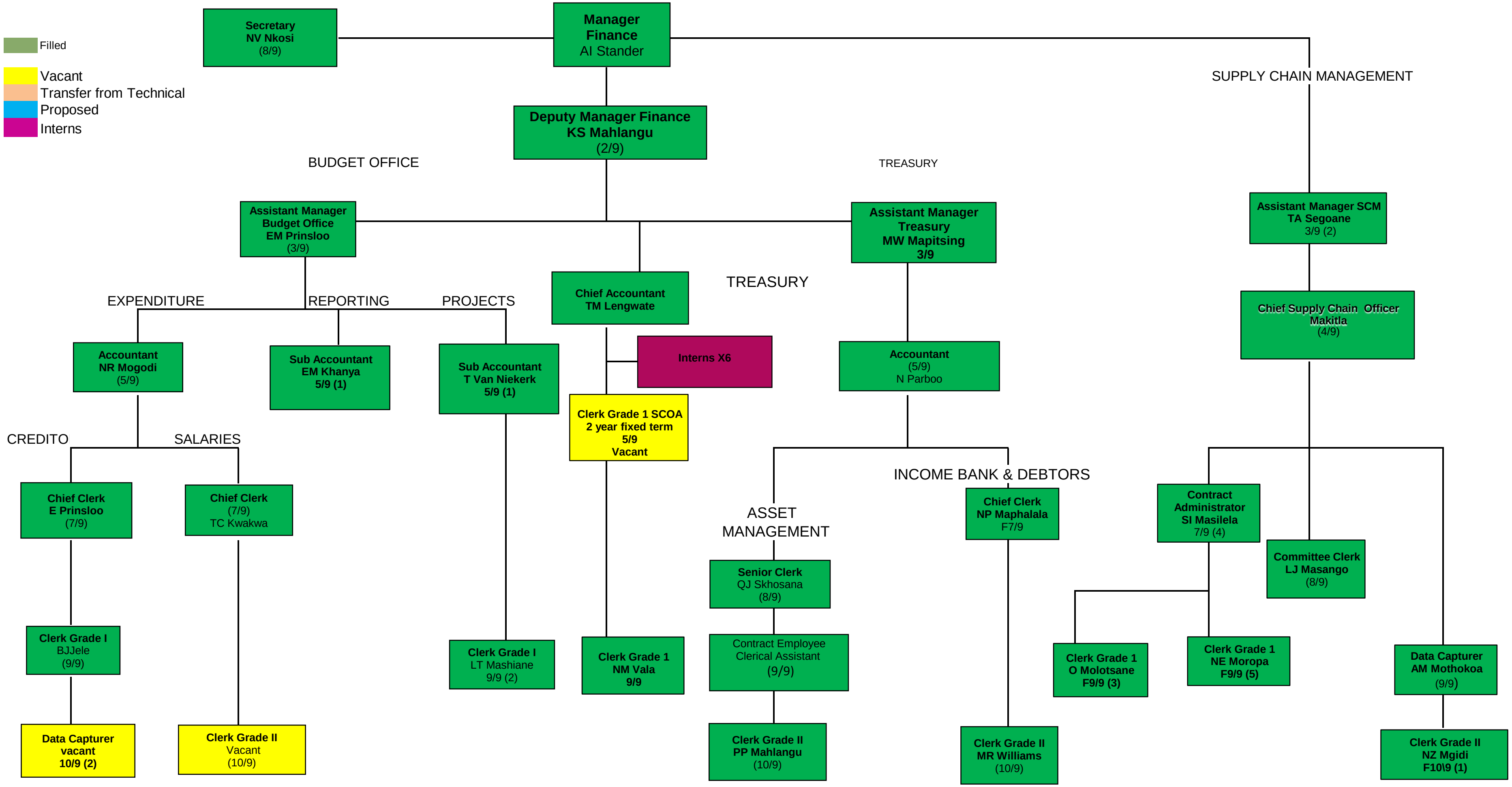


MUNICIPAL MANAGER UNIT

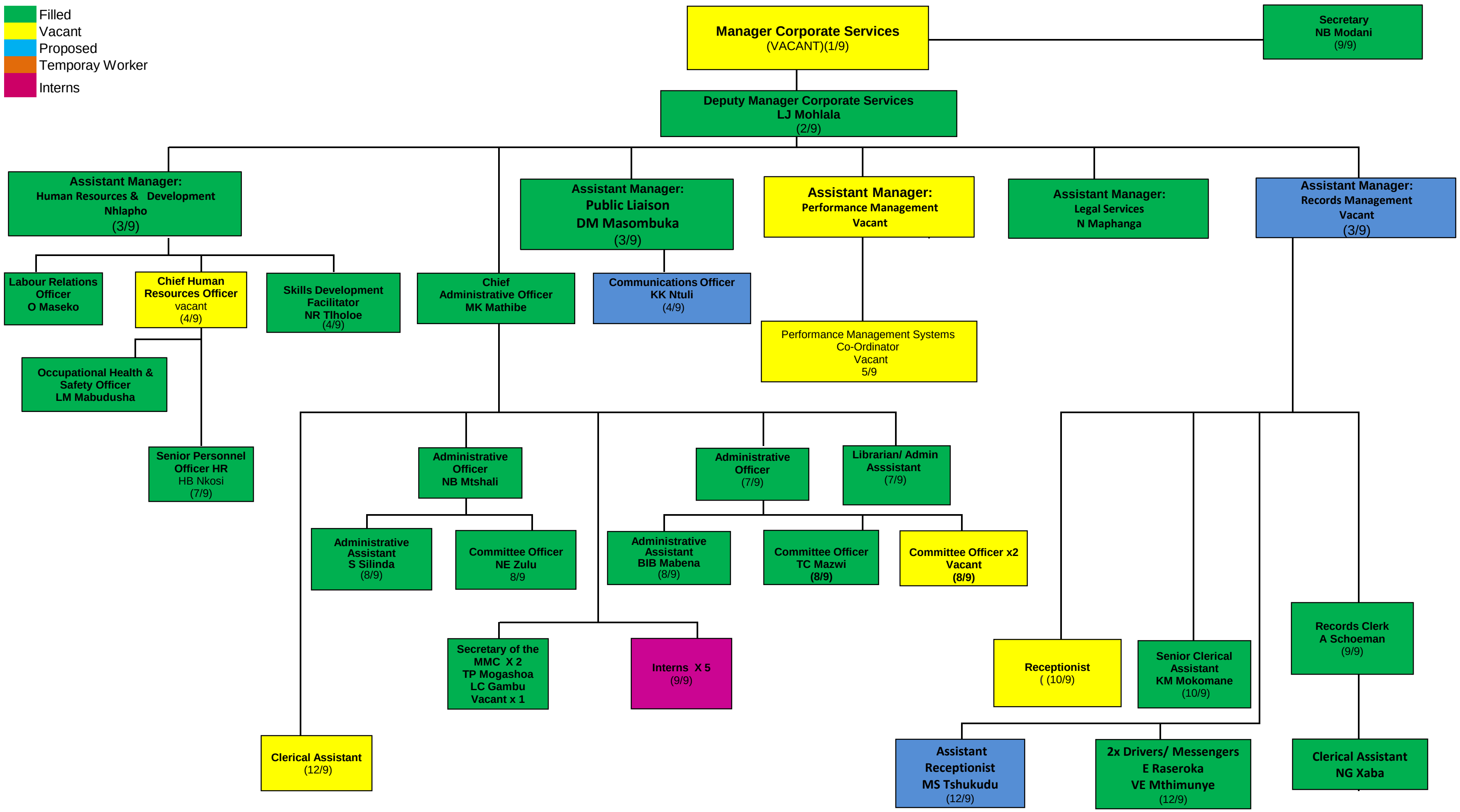


FTC - Fixed Term Contract

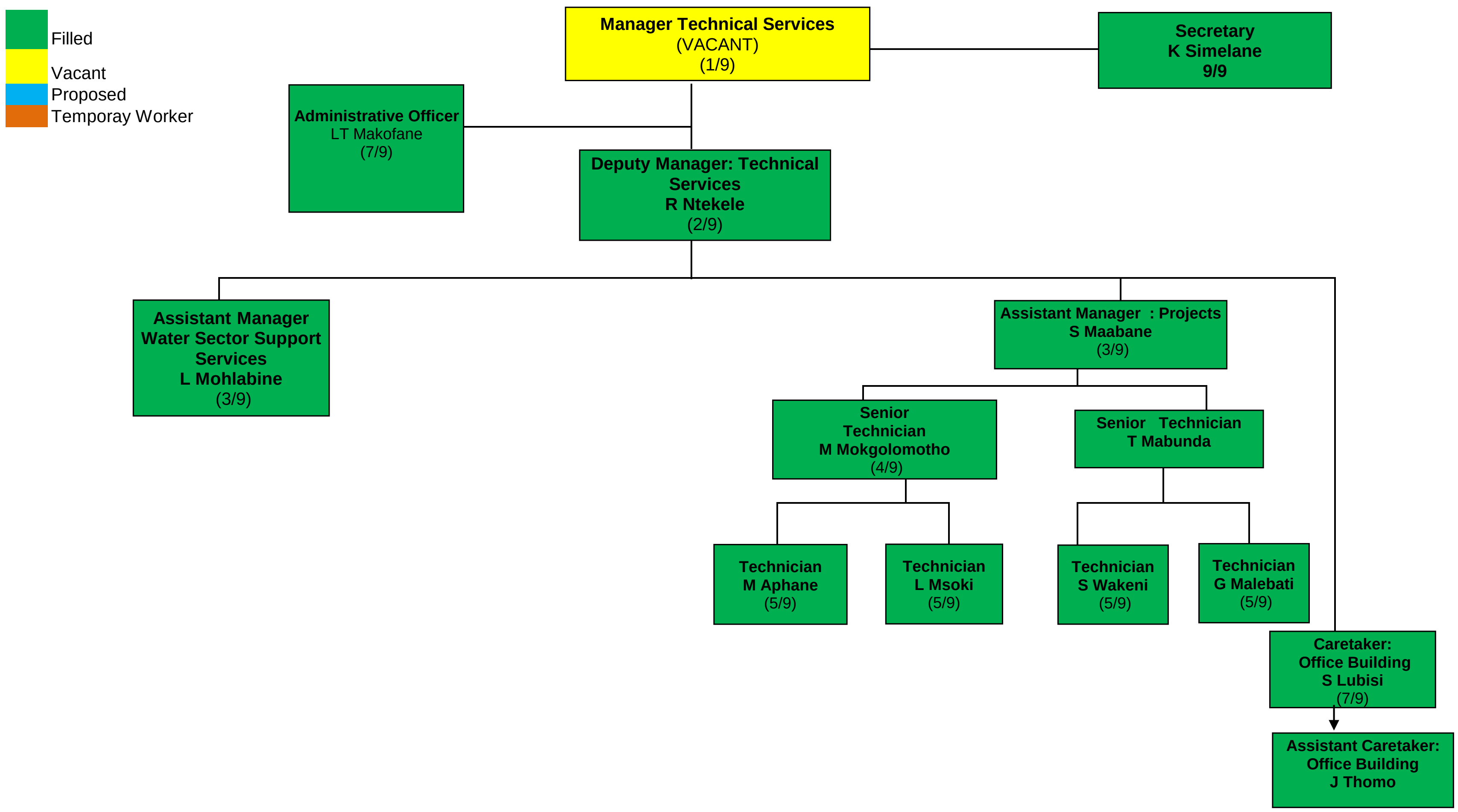
ORGANOGRAM: FINANCE DEPARTMENT



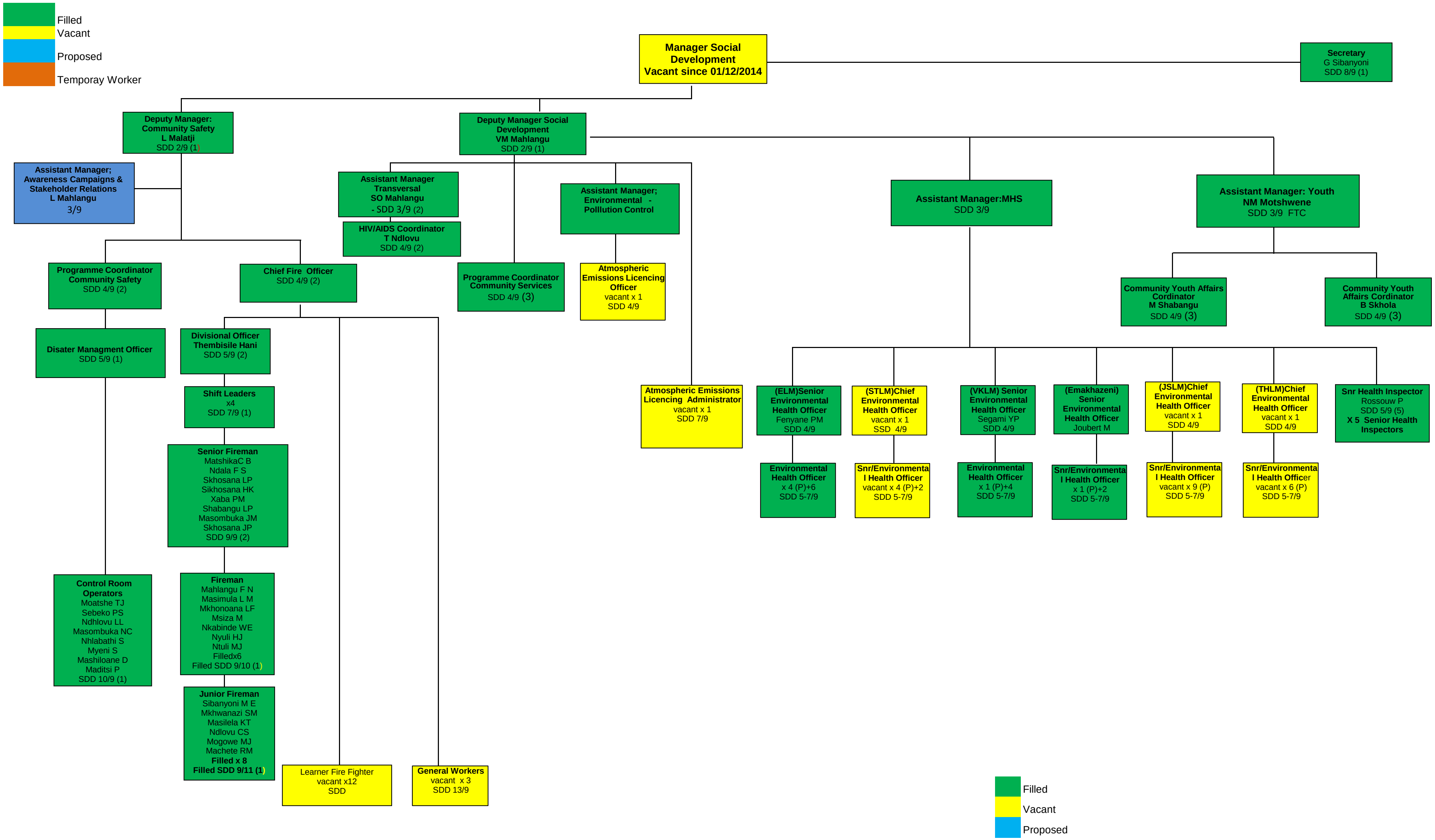
ORGANOGRAM: CORPORATE SERVICES DEPARTMENT



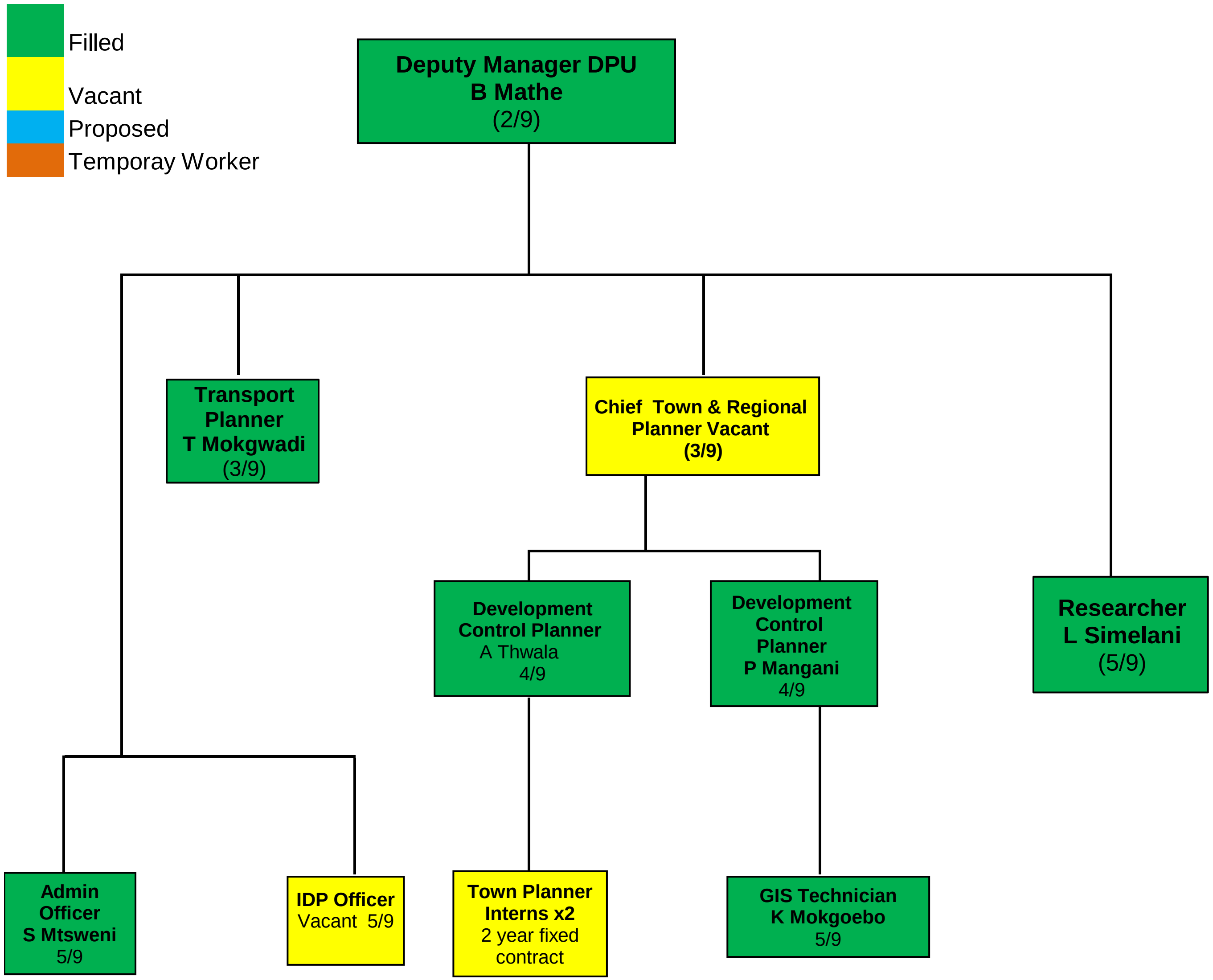
ORGANOGRAM: TECHNICAL SERVICES DEPARTMENT



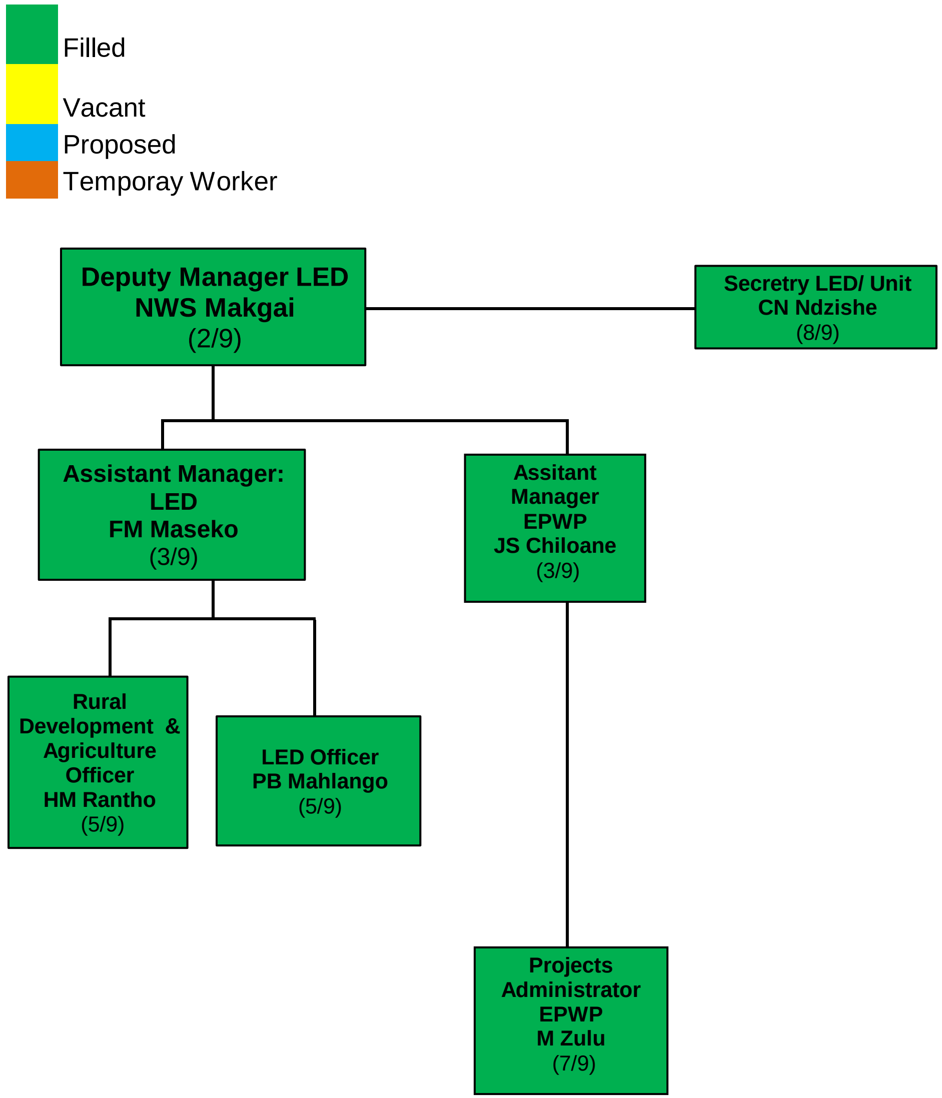
ORGANOGRAM: SOCIAL SERVICES DEPARTMENT



ORGANOGRAM: DPU



ORGANOGRAM: LED UNIT



PROJECT LISTS

DR JS MOROKA

Row Labels	Sum of Total Budg	Sum of 2017 Dr	Sum of 2018 Dr
Nkangala - Community and Social Services	**3 500 000**	**-**	**-**
Transport Assets	3 500 000	-	-
Nkangala - Finance and Admin	**1 400 000**	**920 000**	**-**
Assistance to Local Municipalities (Software and Application Support)	400 000	420 000	-
Grap Accounting	1 000 000	-	-
Scoa Software	-	500 000	-
Nkangala - Planning and Development	**3 500 000**	**-**	**-**
Taxi Rank	3 500 000	-	-
Nkangala - Public Safety	**8 647 462**	**-**	**-**
20 Highmast Lights Dr Js	370 087	-	-
Buildings	8 277 375	-	-
Nkangala - Road Transport	**20 726 965**	**7 000 000**	**5 000 000**
Bridges	7 029 265	-	-
Construction Roads	2 697 700	5 000 000	5 000 000
Pedestrian Bridge	9 000 000	-	-
Stormwater	2 000 000	-	-
Stormwater Cintrol	-	2 000 000	-
Nkangala - Water	**14 456 565**	**9 000 000**	**10 000 000**
Meters Bulk	2 388 000	3 000 000	4 000 000
Nokaneng Bulk Water Supply	500 000	-	-
Replace Asbestos Pipes Siyabuswa	10 000 000	6 000 000	6 000 000
Weltevreden Water Bulk Supply	1 568 565	-	-
Grand Total	**52 230 992**	**16 920 000**	**15 000 000**

EMAKHAZENI

Row Labels	Sum of Total Budget	Sum of 2017 Draft Bu	Sum of 2018 Draft Bu
Nkangala - Community and Social Services	**400 000**	**420 000**	**440 000**
Integrated Youth Development Strategy	400 000	420 000	440 000
Transport Assets	-	-	-
Nkangala - Finance and Admin	**900 000**	**920 000**	-
Assistance to Local Municipalities (Software and Application Support)	400 000	420 000	-
Revenue Enhancement	500 000	-	-
Scoa Software	-	500 000	-
Nkangala - Public Safety	**4 500 000**	-	-
Overhead Conductors and Devices	4 500 000	-	-
Nkangala - Road Transport	**5 999 257**	**2 000 000**	**5 000 000**
Rebuilding Roads	5 999 257	2 000 000	5 000 000
Nkangala - Sport and Recreation	**550 000**	-	-
Community Development Initiatives	550 000	-	-
Nkangala - Waste Water Management	**3 000 000**	**5 000 000**	**3 000 000**
Installation Of Engineering Sr	-	5 000 000	3 000 000
Pump Station Civil Works	3 000 000	-	-
Nkangala - Water	**7 436 889**	**4 000 000**	**3 000 000**
Pump Station Civil Works	6 436 889	4 000 000	3 000 000
Replace Asbestos Pipes Siyabuswa	1 000 000	-	-
Grand Total	22 786 146	12 340 000	11 440 000

EMALAHLENI

Row Labels	Sum of Total Budget	Sum of 2017 Draft	Sum of 2018 Draft E
Nkangala - Community and Social Services	**1 902 500**	**120 000**	**150 000**
Campaign On Drugs And Substance Abuse	102 500	120 000	150 000
Transport Assets	1 800 000	-	-
Nkangala - Finance and Admin	**3 400 000**	**920 000**	-
Assistance to Local Municipalities (Software and Application Support)	400 000	420 000	-
Revenue Enhancement	3 000 000	-	-
Scoa Software	-	500 000	-
Nkangala - Planning and Development	**3 800 000**	**2 622 500**	**8 602 500**
Kriel Ext & Comm Of Area Ga-Nala	3 000 000	-	-
Master plan	800 000	-	-
Taxi Rank	-	122 500	3 602 500
Upgrading Klarinet X2 X3 And Pine Ridge Sewer	-	2 500 000	5 000 000
Nkangala - Road Transport	**5 396 827**	**11 396 827**	**5 000 000**
Rebuilding Roads	5 396 827	11 396 827	5 000 000
Nkangala - Waste Water Management	-	**2 420 000**	-
Bulk Sanitation Reticulation	-	2 420 000	-
Nkangala - Water	**2 287 994**	-	-
Intangible Assets - Non-specified	318 182	-	-
Repacement Ac Emalahleni	1 081 557	-	-
Replace Asbestos Pipes Siyabuswa	-	-	-
Replacement Of Ac Pipes	-	-	-
Replacement Of Corroded Leakin	888 255	-	-
Sewer Network Kwa-Mthunzi	-	-	-
Grand Total	16 787 321	17 479 327	13 752 500

STEVE TSHWETE

Row Labels	Sum of Total Budget	Sum of 2017 Draft Bu	Sum of 2018 Draft Bu
Nkangala - Community and Social Services	**2 605 000**	**-**	**-**
Transport Assets	2 605 000	-	-
Nkangala - Finance and Admin	**900 000**	**420 000**	**-**
Assistance to Local Municipalities (Software and Application Support)	400 000	420 000	-
Scoa Software	500 000	-	-
Nkangala - Planning and Development	**900 000**	**-**	**-**
Master plan	900 000	-	-
Taxi Rank	-	-	-
Nkangala - Road Transport	**11 662 697**	**11 914 488**	**3 000 000**
Construction Roads	6 000 000	4 000 000	-
Roads And Stormwater Newtown	-	2 500 000	-
Roads And Stormwater Rockdale	-	-	-
Roads Bridges And Stormwater	-	3 414 488	-
Stormwater	5 662 697	2 000 000	3 000 000
Nkangala - Waste Water Management	**15 079 815**	**-**	**-**
Bulk Sanitation Reticulation	14 679 815	-	-
Mobile toilets Informal Settle	400 000	-	-
Nkangala - Water	**23 956 780**	**-**	**-**
Boreholes	3 000 000	-	-
Completion 10ml Reservoir	500 000	-	-
Replace Asbestos Pipes Siyabuswa	5 000 000	-	-
Skietbaan 10ml	15 456 780	-	-
Grand Total	55 104 293	12 334 488	3 000 000

THEMBISILE HANI

Row Labels	Sum of Total Budget	Sum of 2017 Draft Buc	Sum of 2018 Draft Bud
Nkangala - Community and Social Services	**600 000**	**-**	**-**
Transport Assets	600 000	-	-
Nkangala - Finance and Admin	**3 800 000**	**920 000**	**-**
Assistance to Local Municipalities (Software and Application Support)	400 000	420 000	-
Grap Accounting	3 400 000	-	-
Scoa Software	-	500 000	-
Nkangala - Planning and Development	**6 233 782**	**3 480 000**	**1 500 000**
20 Highmast Lights Dr Js	5 233 782	-	-
Paving Of Road	-	1 480 000	-
Taxi Rank	-	-	-
Township Establishment	1 000 000	2 000 000	1 500 000
Nkangala - Public Safety	**414 008**	**2 000 000**	**-**
Highmast Lights Thembisile	414 008	-	-
New Highmast Thlm	-	2 000 000	-
Nkangala - Road Transport	**16 525 898**	**13 558 000**	**5 000 000**
Bridges	5 127 146	-	-
Buhlebuzile Bus Route	2 564 143	-	-
Bus Route In Boekenhouthoek	-	1 960 000	-
Bus Route Klipfontein	1 048 000	-	-
Bus Route Moloto Rdp	-	2 000 000	-
Bus Routes	1 795 123	-	-
Construction Roads	-	1 378 000	-
Machipe Bus Route	2 420 000	2 000 000	-
Miliva Bus Route	2 480 000	1 500 000	-
Paving Of Roads Ward 32	829 487	-	-
Phola Park Vehicle Bridge to J	262 000	2 500 000	5 000 000
Stormwater	-	2 220 000	-
Nkangala - Sport and Recreation	**-**	**3 130 000**	**-**
Paving Of Road Kwaggafontein B	-	3 130 000	-
Nkangala - Waste Water Management	**3 000 000**	**-**	**-**
Replacement Of toilet Seat	3 000 000	-	-
Nkangala - Water	**6 212 000**	**1 500 000**	**-**
Mountain View Water Reticulation	3 068 000	-	-
Tweefontein B Water Reticulation	1 834 000	-	-
Water Reticulation Kwaggafontein A	-	1 500 000	-
Zakhene Water Reticulation	1 310 000	-	-
Grand Total	36 785 688	24 588 000	6 500 000

VICTOR KHANYE

Row Labels	Sum of Total Budget	Sum of 2017 Draft Bu	Sum of 2018 Draft Bu
Nkangala - Community and Social Services	**2 605 000**	-	-
Transport Assets	2 605 000	-	-
Nkangala - Finance and Admin	**2 402 860**	**420 000**	-
Assistance to Local Municipalities (Software and Application Support)	400 000	420 000	-
Machinery and Equipment	1 000 000	-	-
Meter Reading Hardware	2 335	-	-
Meter Reading Software	525	-	-
Revenue Enhancement	500 000	-	-
Scoa Software	500 000	-	-
Nkangala - Road Transport	**10 030 097**	**12 335 000**	**9 000 000**
Construction Roads	2 800 000	-	-
Machinery and Equipment	3 300 000	-	-
Rebuilding Roads	3 000 000	5 320 000	5 000 000
Resealing Roads	-	4 015 000	4 000 000
Upgrade and Additions - Solid Waste Disposal	930 097	3 000 000	-
Nkangala - Waste Water Management	**3 509 490**	**2 000 000**	-
Bulk Sanitation Reticulation	3 509 490	2 000 000	-
Nkangala - Water	**2 000 000**	-	-
Boreholes	2 000 000	-	-
Grand Total	20 547 447	14 755 000	9 000 000

GENERAL

Row Labels	Sum of Total Budget	Sum of 2017 Draft Buc	Sum of 2018 Draft Buc
Nkangala - Community and Social Services	**3 078 500**	**3 410 000**	**3 700 000**
Awareness Campaign On Teenage Pregnancy	48 500	40 000	50 000
Host District Mayoral Cup	300 000	320 000	350 000
Mayoral Academic Awards	250 000	280 000	300 000
Mayoral Bursary Fund	2 000 000	2 200 000	2 400 000
Youth Development Summit	300 000	350 000	380 000
Youth Entrepreneur Workshop	180 000	220 000	220 000
Nkangala - Finance and Admin	**500 000**	-	-
Financial Viability	200 000	-	-
Special Events and Functions	300 000	-	-
Nkangala - Health	**340 000**	**390 000**	**435 000**
Education and Training	250 000	300 000	325 000
Mhs Training	90 000	90 000	110 000
Nkangala - Planning and Development	**18 330 000**	**18 700 000**	**20 200 000**
Administrative and General Expenses - Non-specified Expenses	4 000 000	4 150 000	5 000 000
Entrepreneurial Support System	30 000	-	-
Epwp Work Opportunities	5 000 000	6 000 000	7 000 000
Erradication And Control Of Alien Plants	2 000 000	2 500 000	3 000 000
Feasibility Study For Agricult	800 000	2 000 000	-
IDP Planning and Revision	1 550 000	1 650 000	1 700 000
Master plan	1 000 000	-	-
Project Implementation	2 050 000	1 000 000	1 000 000
Tourism Development	1 500 000	1 000 000	2 000 000
Training	400 000	400 000	500 000
Nkangala - Sport and Recreation	**200 000**	**220 000**	-
Municipal Games	200 000	220 000	-
Grand Total	22 448 500	22 720 000	24 335 000

ALL TRANSFERS & GRANTS

GRAND TOTAL	**226 690 387**	**121 136 815**	**83 027 500**

Service Standards

Province: Municipality(Code) - Schedule of Service Delivery Standards Table XX	
Description Standard	Service Level
Solid Waste Removal	N/A
Premise based removal (Residential Frequency)	N/A
Premise based removal (Business Frequency)	N/A
Bulk Removal (Frequency)	N/A
Removal Bags provided(Yes/No)	N/A
Garden refuse removal Included (Yes/No)	N/A
Street Cleaning Frequency in CBD	N/A
Street Cleaning Frequency in areas excluding CBD	N/A
How soon are public areas cleaned after events (24hours/48hours/longer)	N/A
Clearing of illegal dumping (24hours/48hours/longer)	N/A
Recycling or environmentally friendly practices(Yes/No)	N/A
Licenced landfill site(Yes/No)	N/A
Water Service	N/A
Water Quality rating (Blue/Green/Brow n/N0 drop)	N/A
Is free w ater available to all? (All/only to the indigent consumers)	N/A
Frequency of meter reading? (per month, per year)	N/A
Are estimated consumption calculated on actual consumption over (tw o month's/three month's/longer period)	N/A
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	N/A
Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)	N/A
One service connection affected (number of hours)	N/A
Up to 5 service connection affected (number of hours)	N/A
Up to 20 service connection affected (number of hours)	N/A
Feeder pipe larger than 800mm (number of hours)	N/A
What is the average minimum w ater flow in your municipality?	N/A
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	N/A
How long does it take to replace faulty w ater meters? (days)	N/A
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	N/A
Electricity Service	N/A
What is your electricity availability percentage on average per month?	N/A
Do your municipality have a ripple control in place that is operational? (Yes/No)	N/A
How much do you estimate is the cost saving in utilizing the ripple control system?	N/A
What is the frequency of meters being read? (per month, per year)	N/A
Are estimated consumption calculated at consumption over (tw o month's/three month's/longer period)	N/A
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	N/A
Duration before availability of electricity is restored in cases of breakages (immediately/one day/tw o days/longer)	N/A
Are accounts normally calculated on actual readings? (Yes/no)	N/A
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	N/A
How long does it take to replace faulty meters? (days)	N/A
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	N/A
How effective is the action plan in curbing line losses? (Good/Bad)	N/A
How soon does the municipality provide a quotation to a customer upon a w ritten request? (days)	N/A
How long does the municipality takes to provide electricity service w here existing infrastructure can be used? (w orking days)	N/A
How long does the municipality takes to provide electricity service for low voltage users w here netw ork extension is not required? (w orking days)	N/A
How long does the municipality takes to provide electricity service for high voltage users w here netw ork extension is not required? (w orking days)	N/A
Sewerage Service	N/A
Are your purification system effective enough to put w ater back in to the system after purification?	N/A
To w hat extend do you subsidize your indigent consumers?	N/A
How long does it take to restore sewerage breakages on average	N/A
Severe overflow ? (hours)	N/A
Sew er blocked pipes: Large pipes? (Hours)	N/A
Sew er blocked pipes: Small pipes? (Hours)	N/A
Spillage clean-up? (hours)	N/A
Replacement of manhole covers? (Hours)	N/A

Road Infrastructure Services	N/A
Time taken to repair a single pothole on a major road? (Hours)	N/A
Time taken to repair a single pothole on a minor road? (Hours)	N/A
Time taken to repair a road following an open trench service crossing? (Hours)	N/A
Time taken to repair walkways? (Hours)	N/A
Property valuations	N/A
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	N/A
Do you have any special rating properties? (Yes/No)	N/A
Financial Management	
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsources? (Yes/No)	No
Are there Council adopted business process tsructuing the flow and managemet of documentation feeding to Trial Balalnce?	No
How long does it take for an Tax/Invoice to be paid from the date it has been received?	14- 30 Days
Is there advance planning from SCM unit linking all departmental plans quaterly and annualy including for the next two to three years procurement plans?	Yes
Administration	
Reaction time on enquiries and requests?	
Time to respond to a verbal customer enquiry or request? (working days)	
Time to respond to a written customer enquiry or request? (working days)	
Time to resolve a customer enquiry or request? (working days)	
What percentage of calls are not answered? (5%,10% or more)	
How long does it take to respond to voice mails? (hours)	
Does the municipality have control over locked enquiries? (Yes/No)	
Is there a reduction in the number of complaints or not? (Yes/No)	
How long does in take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	
Community safety and licensing services	N/A
How long does it take to register a vehicle? (minutes)	N/A
How long does it take to renew a vehicle license? (minutes)	N/A
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	N/A
How long does it take to de-register a vehicle? (minutes)	N/A
How long does it take to renew a drivers license? (minutes)	N/A
What is the average reaction time of the fire service to an incident? (minutes)	N/A
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	N/A
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	N/A
Economic development	
How many economic development projects does the municipality drive?	5
How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	5
What percentage of the projects have created sustainable job security?	(0%) Still Work in progress
Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	Busy developing an Investr
Other Service delivery and communication	
Is a information package handed to the new customer? (Yes/No)	
Does the municipality have training or information sessions to inform the community? (Yes/No)	
Are customers treated in a professional and humanly manner? (Yes/No)	

BUDGET TIMETABLE

SCHEDULE OF KEY DEADLINES Mayor to Table in Council 10 Months Prior to Start of Budget Year		
Month	**Nkangala District Municipality**	**Budget Year 2016/2017**
	Mayor and Council	**Administration - Municipality**
February – March 2015	Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process **MFMA s 53** Planning includes review of the previous years budget process and completion of the Budget Evaluation Checklist	Accounting officers and senior officials of municipality begin planning for next three-year budget **MFMA s 68, 77** Accounting officers and senior officials of municipality review options and contracts for service delivery **MSA s 76-81**
March 2015	Mayor tables in Council the schedule of key deadlines setting the time table for: preparing, tabling and approving the budget; reviewing the IDP as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year. **MFMA s 21,22, 23;** **MSA s 34, Ch 4 as amended** Mayor establishes committees and consultation forums for the budget process	Accounting Officer to assist Mayor to prepare the schedule of key deadlines and align the IDP and Budget process
September – October 2015		Accounting officer does initial review of national policies and budget plans with department officials **MFMA s 35, 36, 42; MTBPS**
November – December 2015	Council finalises tariff policies for next financial year **MSA s 74, 75** Mayor tables municipal budget, resolutions, plans, and proposed revisions to IDP	Accounting officer submits draft budget and plans for next financial year to the Mayor for tabling Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others Accounting officer to notify relevant municipalities of projected allocations for next three budget years

January 2016		Budget office of municipality determine revenue projections and proposed tariffs and draft initial allocations to functions and departments for the next financial year after taking into account strategic objectives Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the final budget.
February 2016	Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc	Accounting officer incorporates the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report
March 2015	Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans	Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)
March 2016	Council considers municipal proposed budget and service delivery plan	Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year
April - May 2016	Public hearings on the budget, and council debate. Council consider views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year. **MFMA s 23, 24; MSA Ch 4 as amended**	Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature
May 2016	Council must approve annual budget by resolution, setting tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year **MFMA s 16, 24, 26, 53**	Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA. **MFMA s 69; MSA s 57**

June 2016	Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval. **MFMA s 53; MSA s 38-45, 57(2)** Council must review the system of delegations. **MFMA s 59, 79, 82; MSA s 59-65**	Accounting officer of municipality publishes adopted budget and plans **MFMA s 75, 87**

Abbreviations:

IDP - Integrated Development Plan

MFMA - Local Government: Municipal Finance Management Act, No. 56 of 2003

MSA - Local Government: Municipal Systems Act, No. 32 of 2000, as amended

MTBPS - National Treasury annual publication, Medium Term Budget and Policy Statement;

NT - National Treasury

PT - Provincial Treasuries

SDBIP - Service Delivery and Budget Implementation Plan

NDM

POLICIES

ASSET MANAGEMENT POLICY

NKANGALA DISTRICT MUNICIPALITY

INDEX

PART 1 DEFINITION OF A FIXED ASSET

A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the productions or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

A finance lease is a lease agreement which in effect transfers all risks and rewards associated with ownership of an asset from the lessor to the lessee.An asset held under a finance lease, shall be recognised as a fixed asset, as the municipality has control over such an asset even though it does not own the asset.

PART 2 ROLE OF MUNICIPAL MANAGER

As accounting officer of the municipality, the municipal manager or his/her duly delegated representative shall be the principal custodian of all the municipality's fixed assets, and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

PART 3 ROLE OF CHIEF FINANCIAL OFFICER

The chief financial officer or his/her duly delegated representative shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the chief financial officer or by an official acting under the written instruction of the chief financial officer.

PART 4 FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information:

a) a brief but meaningful description of each asset
b) the date on which the asset was acquired or brought into use
c) the location of the asset
d) the department(s) or vote(s) within which the assets will be used
e) the title deed number, in the case of fixed property
f) the stand number, in the case of fixed property
g) where applicable, the identification number, as determined in compliance with part 11 below
h) the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value if no costs are available
i) the (last) revaluation date of the fixed assets subject to revaluation
j) the revalued value of such fixed assets

k) who did the (last) revaluation
l) accumulated depreciation to date
m) the depreciation charge for the current financial year
n) the carrying value of the asset
o) the method and rate of depreciation
p) impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
q) the source of financing
r) the current insurance arrangements
s) whether the asset is required to perform basic municipal services
t) whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements
u) the date on which the asset is disposed of
v) the disposal price
w) the date on which the asset is retired from use, if not disposed of.

All heads of department or duly delegated representatives under whose control any fixed asset falls shall promptly provide the chief financial officer in writing with any information required to compile the fixed asset register, and shall promptly advise the chief financial officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it or a significant component thereof, as may be applicable, is available for use, whereafter it shall be appropriately capitalised as a fixed asset, and commence with depreciation at the applicable rate as per the accounting policy.

A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

PART 5 CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the chief financial officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

PROPERTY, PLANT AND EQUIPMENT

a) land (not held as investment assets)
b) infrastructure assets (assets which are part of a network of similar assets)
c) community assets (resources contributing to the general well-being of the community)
d) other assets (ordinary operational resources)

HERITAGE ASSETS

heritage assets (culturally significant resources)

INVENTORY

housing (rental stock or housing stock not held for capital gain)

INVESTMENT PROPERTY

investment property (resources held for capital or operational gain)

The chief financial officer shall adhere to the classifications indicated in the annexure on estimate useful lives of fixed assets (see part 34 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

PART 6 INVESTMENT PROPERTY

Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of financial position.

Investment property shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment property shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

Investment property shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment property shall be recorded in the Statement of Financial Position at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

An expert valuer shall be engaged by the municipality to undertake such valuations.

If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as work-in-progress/ordinary fixed asset component, until it is ready for its intended use – whereafter it shall be reclassified as an investment property.

PART 7 FIXED ASSETS TREATED AS INVENTORY

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's Statement of Financial Position.

Major spares that constitute an entire or significant portion of a component type, or a specific component, defined in the immovable PPE asset hierarchy are considered capital spare parts and are recognised as an item of PPE as they are expected to be used for more than one period or they can only be used in connection with an item of PPE.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

PART 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSETS REGISTER

Heritage assets are assets of cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations, such as monuments, nature reserves, and works of art.

If no original costs or fair values are available in the case of one or more or all heritage assets, the chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned. Heritage assets are not depreciated.

PART 9 RECOGNITION OF DONATED ASSETS

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined and/or approved by the chief financial officer.

PART 10 SAFEKEEPING OF ASSETS

Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every head of department shall adhere to any written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

PART 11 IDENTIFICATION OF FIXED ASSETS

The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

PART 12 PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS IDENTIFICATION OF FIXED ASSETS

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

PART 13 CAPITALISATION CRITERIA: MATERIAL VALUE

No item with an initial cost or fair value of less than R500 (five hundred rand) – or such other amount as the Council of the municipality may from time to time determine on the recommendation of the municipal manager – shall be recognised as a fixed asset, at cost or fair value.

If the item has a cost or fair value lower than this capitalisation benchmark, it shall be captured at R1.00 (One rand) in an Inventory or Attractive Item register and the difference in cost shall be treated as an ordinary operating expense. This Attractive Item register shall be the responsibility of the departmental head, and must at all times be kept up to date for control and audit purposes.

PART 14 CAPITALISATION CRITERIA: INTANGIBLE ITEMS

No intangible item shall be recognised as a fixed asset, except that the chief financial officer, acting in strict compliance with the criteria set out in GRAP 102 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed assets.

PART 15 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES

An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition, determined by the Chief Financial officer, in consultation with the head of department concerned.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

a) Cost of site preparation.
b) Initial delivery and handling costs.
c) Installation cost.
d) Professional fees.
e) Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

Expenses which are thus reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such other expenses may include but need not be limited to import duties, forward cover costs, transportation costs, etc.

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

PART 16 MAINTENANCE PLANS

Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality for approval.

If so directed by the municipal manager, the maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than end of June, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

PART 17 DEFERRED MAINTENANCE

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the chief financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the chief financial officer shall redetermine the useful operating life of the fixed asset in question, in consultation with the head of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 19 DEPRECIATION OF FIXED ASSETS

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation is calculated using the capitalised amount of the asset, on a straight line basis, over the estimated useful life of the asset. Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

However, depreciation shall be calculated in accordance with the electronic asset management system in use, provided that it is not in contradiction with the applicable set of accounting standards.

Each head of department, acting in consultation with the chief financial officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

PART 20 RATE OF DEPRECIATION

Only the chief financial officer, shall assign a useful operating life to each depreciable asset, recorded on the municipality's fixed asset register. In determining such a useful life the chief financial officer shall adhere to the useful lives set out in the annexure to this document (see part 34 below).

In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary in consultation with the head of department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

PART 21 METHOD OF DEPRECIATION

Except in those cases specifically identified in part 23 below, the chief financial officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

PART 22 AMENDMENTS OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

The useful lives of assets shall be determined on an annual basis by each departmental head responsible for assets. It will be required that such assessment be done in writing to the CFO, to serve as motivation for the change required.

Only the chief financial officer, following the indications by the respective departmental heads controlling such assets, may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs, the chief financial officer shall inform the Council of the municipality of such amendment.

The chief financial officer shall amend the useful operating life assigned to any fixed asset, in consultation with the respective departmental head, if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register, at the date on which such event occurred.

In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset, and the department or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

PART 23 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES

The chief financial officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The chief financial officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the municipal manager to provide:

a) estimates of statistical information required by the chief financial officer to prepare estimates of depreciation expenses for each financial year; and
b) actual statistical information, for each financial year.

The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.

Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the chief financial officer shall inform the council of the municipality of the decision in question.

PART 24 CARRYING VALUES OF FIXED ASSETS

All fixed assets shall be indicated in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation and impairment.

The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

PART 25 REVALUATION OF FIXED ASSETS

All land and buildings recorded in the municipality's fixed asset register shall be revalued by an independent professional property valuer.

The chief financial officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as indicated by an independent professional property valuer provided the chief financial officer is satisfied that such value reflects the fair value of the fixed asset concerned.

The chief financial officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as indicated by an independent professional property valuer and the carrying value of the fixed asset before the adjustment in question.

The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

The chief financial officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary.

If the amount determined by the independent professional property valuer is less than the carrying value of the fixed asset recorded in the fixed asset register, the chief financial officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as indicated by such independent professional property valuer. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

PART 26 VERIFICATION OF FIXED ASSETS

The head of department in conjunction with the CFO, shall during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned. Such verification exercises shall be undertaken at 31 October and 30 April of each financial year.

Every head of department shall promptly and fully report in writing to the chief financial officer in the format determined by the chief financial officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the

resultant final and updated report shall be submitted to the chief financial officer not later than 30 June of the year in question.

PART 27 ALIENATION OF FIXED ASSETS

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Every head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender. Such indications shall be accompanied by relevant motivations for each asset concerned. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The municipal manager shall approve the alienation of any fixed asset within a prescribed limit, which is not an asset required to provide a minimum level of basic municipal services, as per the applicable powers of delegation.

The municipal manager will submit to Council the alienation of any fixed asset with a carrying value above the prescribed limit, in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below), for a resolution on the approval of the disposal of the asset and the method to be used.

Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the statement of financial

performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the statement of financial performance of thedepartment or vote concerned.

All gains realised on the alienation of fixed assets shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the Asset Transfer Regulations.

PART 28 OTHER WRITE-OFFS OF FIXED ASSETS

A fixed asset even though fully depreciated shall be written off only on the recommendation of the head of department controlling or using the asset concerned, stating a full motivation, and with the approval as per the powers of delegation.

Every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theftand destruction or material impairment of the fixed asset in question,

which will render that the asset cannot be used for its intended purpose (redundant/obsolete).

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

PART 29 REPLACEMENT NORMS

The replacement of vehicles is set out in the official Fleet Management Policy of the municipality. All other moveable assets will be replaced subject to the asset becoming redunadant/obsolete, provided that permission to write it off had been obtained by Council and furthermore subject thereto that provision had been made in the Capital Budget of the approved Annual Budget for the replacement of such asset.

PART 30 INSURANCE OF FIXED ASSETS

The municipal manager shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

The municipal manager shall after consulting with the chief financial officer, determine the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

PART 31 BIOLOGICAL ASSETS

Accounting for biological assets shall take place in accordance with the requirements of GRAP 101.

The chief financial officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised value in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as an operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of department concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether, and such details shall reflect the information which the chief financial officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

The chief financial officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the council of the municipality considers such insurance desirable and affordable.

PART 32 RESIDUAL VALUES

The residual value is the estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
The residual values of assets are indicated in section 34 in the form of a percentage.

PART 33 IMPAIRMENT

Impairment is defined as the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.
Indications of impairment
The municipality must review assets for impairment when one of the indicators below occurs or at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a minimum the following indicators:

33.1 External sources of information:

a) decline or cessation in demand;
b) significant long-term changes in the technological, legal or government policy environment;
c) the carrying amount of the net assets of the entity is more than its market capitalisation; or
d) market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
e) a halt in construction could indicate an impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

33.2 Internal sources of information:

a) evidence of physical damage;
b) evidence of obsolescence;
c) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected to be used, including an asset becoming idle, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
d) cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
e) the actual net cash flow or operating profit or loss flowing from an asset are significantly worse than those budgeted;
f) a significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss, flowing from the asset; or
g) operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

33.3 Other indications, such as loss of market value.

Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near uture or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postponed to a specific future date, the project may be treated as work in progress and is not considered as halted.

Significant

The municipality must only record impairments that are significant. The events and circumstances in each instance must be recorded. Where there are indications of impairment, the municipality must estimate the recoverable service amount of the asset and also consider adjustment of the remaining useful life, residual value, and method of depreciation.

Impairment loss

An impairment loss of a non-cash-generating unit or asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher ofthe fair value less costs to sell and its value in use.

An impairment loss of a cash-generating unit (smallest group of assets that generate cash inflows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

Non-cash generating unit

Non-cash-generating units are those assets (or group of assets) that are not held with the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit.

The recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. It may be possible to determine the fair value even if the asset is not traded in an active market. If there is no binding sales agreement or active market for an asset, the fair value less cost to sell is based on the best information available to reflect the amount that an entity could obtain. However, sometimes it will not be possible to determine the fair value less cost to sell because there is no basis for making reliable estimates of the amount obtainable.

For non-cash generating assets which are held on an ongoing basis to provide specialised services or public goods to the community, the value in use of the assets is likely to be greater than the fair value less cost to sell. In such cases the municipality may use the asset's value in use as its recoverable service amount. The value in use of a non-cash generating unit/asset is defined as the present value of the asset's remaining service potential.

This can be determined using any of the following approaches:

a) the Depreciated Replacement Cost (DRC) approach (and where the asset has enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimised Depreciated Replacement Cost (ODRC) approach may be used);
b) the restoration cost approach (the Depreciated Replacement Cost less cost of restoration) – usually used in cases where there has been physical damage; or
c) the service units approach (which could be used for example where a production units model of depreciation is used).

Where the present value of an asset's remaining service potential (determined as indicated above) exceeds the carrying value, the asset is not impaired.

Cash-generating unit

Cash-generating units are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit oriented entity. Holding an asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows from the asset (or from part of the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. When the cost model is adopted, fair value is determined in accordance with the rules indicated for measurement after recognition.

Costs to sell

These are the costs directly attributable to the disposal of the asset (for example agents fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and net cash flows to be received or (paid) for the disposal of the assets at the end of its useful life, including factors to reflect risk in the respective cash-flows and the time value of money.

Judgement

The extent to which the asset is held with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period.

Conversely, an asset may be a non-cash-generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases itmay not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that the asset is a non-cash-generating- or a cash-generating asset. Judgement is needed in these circumstances.

Recognition of impairment

The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

When no future economic benefit is likely to flow from an asset, it is derecognised and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, is debited to the Statement of Financial Performance as a "Loss on Disposal of Asset".

In the event of compensation received for damages to an item of immovable PPE, the compensation is considered as the asset's ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired/ de-recognised.

Reversing an impairment loss

The municipality must assess each year from the sources of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increased to its recoverable amount (providing that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods).

Disposal Management System- Refer to disposal policy

An effective system of disposal management for disposal or letting of assets, including unserviceable, redundant or obsolete assets, must be provided for in the Supply Chain Management Policy. This must specify the ways in which assets may be disposed of, including by –

a) transfer the asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;
b) transferring the assets to another organ of state at market related value or, when appropriate, free of charge;
c) selling the asset; or
d) destroying the asset.

Immovable property may be sold only at market related prices except when the public interest or the poor demands otherwise. When assets are traded in for other assets, the highest possible trade-in price must be negotiated.

PART 34 ANNEXURE: FIXED ASSET LIVES

The annual depreciation rates are based on the following estimated asset lives:-

DETAILS	RESIDUAL	YEARS	DETAILS	RESIDUAL	YEARS
Infrastructure			***Other***		
Electricity			**Buildings**	0	30
Supply & Reticulation	0	20	**Office Equipment**		
Roads			Computer Hardware	0	7
Roads	0	10	Computer Software	0	3
Bridges	0	30	Office Machines	0	3
Sewerage			Air Conditioners	0	7
Sewers	0	20	**Furniture & Fittings**		
Water			Chairs	0	7 - 10
Supply & reticulation	0	20	Tables/Desks	0	7 - 10
Reservoirs & tanks	0	20	Cabinets/Cupboards	0	7 - 10
Pumps	0	15	Miscellaneous	0	7 - 10
			Emergency Equipment		
			Fire	0	15
			Ambulances	0	5
Community Assets			Fire hoses	0	5
Buildings			Emergency Lights	0	5
Clinics	0	30	**Plant & Equipment**		
Parks	0	30	General	0	7
Community Centres	0	30	Telecommunication equipment	0	5
Fire Stations	0	30	Radio	0	7
			Vehicles		
Recreational Facilities			Fire Engines		20
Fire Breaks	0	20	Motor Vehicles	20%	7
			Bakkies	20%	7
			Bins		
			Bins		5-10

PART 35 ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

A municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.

A municipality may alienate any other capital asset, but provided

- the council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- the council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

PART 36 ANNEXURE: TERMINOLOGY AND DEFENITIONS

"agricultural assets" biological assets when related to agricultural activity for example, the management of biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

"assets" are resources controlled by an entity as the result of past events and from which future economic benefits or potential service provision are expected to flow to the entity.

"asset categories" are the main and sub groups used for the classification of assets.

"attractive items" are items of property, plant and equipment which are not significant enough for financial recognition in the fixed asset register, but are attractive enough to warrant special safeguarding. Such items are controlled through departmental attractive item (inventory) registers.

“asset manager” is the senior manager who has the functional accountability for and control of the physical management of a particular set of assets in order to achieve the municipality’s strategic objectives relevant to his/her directorate. The execution of this responsibility will require the asset manager to control the acquisition, utilization, management and disposal of this set of assets to optimize the achievement of these objectives.

“biological assets” living animals or plants.

“capitalization” is the recognition of expenditure as an asset(s) in the financial asset register.

“carrying amount” is the amount at which an ass et is included in the statement of financial position after deducting any accumulated depreciation thereon.

“cost” is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction plus costs incidental t o the acquisition or acquirement. Also known as historical cost/value.

“cost of acquisition” is all the costs incurred in bringing an item of plant, property and equipment to the required condition and location for its intended use.

“deferred maintenance” is the extent of preventative maintenance that has not been performed.

“duly delegated representative” means a delegate who are assigned responsibility for performing certain functions or duties, although the person who delegates responsibility will remain accountable for ensuring that such activities are performed.

“depreciation” is the systematic allocation of the depreciable amount of an asset over its useful life, and therefore reflects the consumption of economic benefits or service potential of the asset.

“depreciable amount” is the cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value.

“disposal” is the act of derecognizing an asset that has reached the end of its useful life and no future economic benefits or service potential is further expected from its use.

“donated” an item donated to the municipality at no cost or for a nominal cost or acquired by means of an exchange of assets.

“fair value” is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction.

“GRAP” standards of Generally Recognized Accounting Practice

“heritage assets” assets held indefinitely for the benefit of present and future generations and have a cultural, environmental, historical, natural, scientific, technological and artistic significance.

“impairment” is when the recoverable amount of an asset is less than the carrying value of such an asset.

“intangible assets” are identifiable non-monetary assets without physical substance. (Identifiable means that the asset can be separated or divided from the entity and sold, transferred, rented or exchanged).

“investment property” is property (land/building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation

or both rather than f or use in production or supply of goods or services or for administrative purposes or sale in the ordinary course of operations.

“maintenance” is considered operating expenses incurred in ensuring that the useful operating life of assets is attained.

“property, plant and equipment” are tangible assets that are held by a municipality for use in the production of goods of supply of goods or services, for rental to others, for administrative purposes; and are expected to be used during more than one (1) period.

“recoverable amount” is the amount that t he municipality expects to recover from the future use of an asset, including its residual value on disposal.

“recognition” is the process by which expenditure is included in the financial asset register as an asset(s).

“replacement value” is the amount which is needed in current terms to replace an asset.
“residual value” is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs for disposal.

“senior manager” is a manager referred to in section 56 of the Municipal Systems Act being someone reporting directly to the Municipal Manager.

“useful life” is either:

a) the estimated period of time over which the future economic benefits or future service potential embodied in an asset is expected to be consumed by the municipality; or

b) the estimated total service potential expressed in terms of production or similar units that are expected to be obtained from the asset by the municipality.

NKANGALA DISTRICT MUNICIPALITY

CREDIT CONTROL AND DEBT COLLECTION POLICY

P R E A M B L E

WHEREAS sections 95 & 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipality to adopt, maintain and implement a credit control-, debt collection and customer care policy;

AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;

AND WHERAS section 64 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) defines the Management of Revenue of a municipality;

NOW THEREFORE the NKANGALA DISTRICT MUNICIPALITY adopts the policies as set out in this document.

I N D E X

CREDIT CONTROL AND DEBT COLLECTION POLICIES

1. DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

"*Accounting officer"*- means the Municipal Manager appointed in terms of section 82 of the Municipal Structures Act and being the head of administration and accounting officer in terms of section 55 of the Municipal Systems Act.

"Acknowledgement of debt" - A term used to describe a document from which a Debtor's acknowledgment of a claim or undertaking to pay a debt can be inferred.

"Bad Debt" - Money owed to a person or Municipality by a Customer/ Debtor that it is unable to collect from the Debtor.

"Cash Flow" - The level of money required by a Municipality to meet the costs of its normal trading/operating activity.

"Customer Voluntary Arrangement –CVA" -A voluntary agreement for a Customer is a procedure whereby a plan of recognition or composition in satisfaction of debts, is put forward to Creditors and shareholders. There

is limited involvement by the Court and the scheme is under the control of a supervisor.

"Collection Commission" -When , by judgment agreement, a debt is payable in installments, there is a fee that an attorney or registered third party debt collector may charge more than the maximum recoverable fee stipulated by law being presently 10% of the installment up to the maximum of R250.00 (plus VAT) per installment.

"Contract" - An agreement entered into by parties who intend to bind themselves thereby. There must be consensus between the parties as to the material terms of the contract.
"Credit" - Is the means by which an individual or business may, in agreement with a credit grantor, obtain goods or services for immediate use and pay for such goods or service at an agreed future date.

"Creditor" - The person or Municipality that provides goods, services, or finance to a Customer/Debtor on the promise of repayment of the cash value to the Creditor within the stated credit period and subject to the credit Terms. A Creditor is a person/entity to whom money is due and owing by a Debtor.

"Credit approval" - A term used when an applicant is successfully awarded credit.

"Credit Bureau" - A Body providing credit information.

"Credit controller" - A person who is responsible for the operational implementation of the Credit Management and Credit Risk Management

Policies in order to minimize the Business Credit Risk and to maximize the recovery of credit sales revenue as well as money owed to the Municipality by its Debtors.

“Criminal Action “ - A legal proceeding where the State prosecutes an individual for an act or omission, which is punishable by law.
“Debt” The value of goods, services or capital (including interest) that is owed by a Debtor to the Creditor.

“Debtor” - A Customer who purchases goods, services or capital from a service provider on credit and therefore owes money to the service provider who becomes the Creditor.

“Finance Management Act” - the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

“Garnishee” - A person (or Municipality) that you claim owes the Debtor money. You can often get the Court to order the garnishee to pay you instead of the Debtor.

“Insolvency” - Insolvency refers to a state of financial affairs whereby the liabilities of an individual or a business exceed their assets, rendering the individual or business unable to meet their financial obligations. It is important to note that insolvency is a state of affairs and not a legal condition, as is the case with sequestration or liquidation.

“interest” - a charge levied with the same legal priority as service fees and calculated at a rate determined by the NDM from time to time on arrear monies;

"Jurisdiction" - The area in which the Municipality has the power/ability to enforce its powers and fucntions.

"Letter of Demand" - An initial document indicating the Plaintiff's claim and consequences if the Defendant does not comply with his request.

"Liability" - A legal obligation or duty, an amount owed.

"Local Municipality" means a municipality that shares municipal executive and legislative authority in its area with a District Municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality and act as a Water Services

"Manager Finance (Chief Financial Officer)" - the person appointed by the NDM to administer its finances in terms of section 80(2) (a) of the Finance Management Act;

"Municipal Manager" - the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated

"Municipal Systems Act" - Refer to the Municipal Systems Act no of 2000.

"Municipal Structures Act" - Refer to the Local Government: Municipal structure Act no 117 of 1998.

“*N D M*” - the Nkangala District Municipality;

“*occupier*” - any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property;

“*owner*” – can be described as follows

a) the person in whose name the property is legally vested;

b) In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;

c) in the case of a lease agreement in excess of 30 years was entered into, then the lessee;

d) regarding:

   i) a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 van 1986), without limiting it to the developer or managing body to the communal property;
   ii) a portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a “sectional title, including the legally appointed representative of such person;

e) any legal entity including but not limited to :

   i) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust *inter vivos*, trust *mortis causa*, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984), and any voluntary organisation;
   ii) any provincial or national government department, local authority;
   iii) any organization or management body established in terms of any legal framework applicable to the Republic of South Africa; and
   iv) any embassy or other foreign entity.

"property" - any portion of land, of which the boundaries are determined, within the jurisdiction of the NDM;

"Structures Act"- means the Local Government: Municipal Structures Act, Act 117 of 1998;

"Systems Act" - the Local Government Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

"Public Finance and Management Act" - refer to the Public Finance and Management Act no of 2000.

2. GENERAL OBJECTIVES

The objectives of this policy are to:

2.1. provide a framework within which the NDM can exercise its executive and legislative authority with regard to credit control and debt collection;

2.2. ensure that all monies due and payable to the NDM are collected and used to deliver services in the best interests of the community and residents and in a financially sustainable manner;

2.3. provide a framework for customer care;

2.4. describe credit control measures and sequence of events;

2.5. outline debt collection procedures and mechanisms; and

2.6. set realistic targets for debt collection;

3. PRINCIPLES

3.1. The administrative integrity of the NDM must be maintained at all costs. The democratically elected Councillors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.

3.2. Billing is to be accurate, timeous and understandable.

3.3. The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

3.4. The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.

3.5. Enforcement of payment must be prompt, consistent and effective.

3.6. The collection process must be cost-effective.

4. DUTIES AND FUNCTIONS

4.1. Duties and Functions of the NDM

4.1.1. To approve a budget consistent with the needs of communities and the different categories of consumers.

4.1.2. To impose and determine tariffs to finance the rental income budget.

4.1.3. To provide for a bad debt provision, in line with the payment record of the debtors as reflected in the financial statements of the NDM.

4.1.4. To approve a reporting framework for customer care, credit control and debt collection.

4.1.5. To approve and maintain by-laws to give effect to this policy of the NDM.

4.1.6. To monitor the performance of the Municipal Manager regarding customer care, credit control and debt collection.

4.1.7. To revise the budget should targets for customer care, credit control and debt collection not be met.

4.1.8. To take disciplinary and/or legal action against NDM councilors, officials and agents who do not execute policies and by-laws, or act improperly in terms of such policies.

4.1.9. To approve the list of attorneys who act in all legal matters relating to debt collection.

4.1.10. To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy to the Municipal Manager.

4.1.11. To provide sufficient capacity in the Financial Department to give effect to customer care, credit control and debt collection policy and bylaws in terms of the provisions of Chapters 8 and 10 of the Finance Management Act.

4.2. Duties and functions of the Municipal Manager

4.2.1. To implement and promote the NDM customer care, credit control and debt collection policy.

4.2.2. To install and maintain an appropriate accounting system in terms of Chapters 8 and 10 of the Finance Management Act.

4.2.3. To demand payment on due dates.

4.2.4. To raise penalties for defaults.

4.2.5. To collect outstanding debt.

4.2.6. To provide different payment methods.

4.2.7. To determine customer care, credit control and debt collection measures.

4.2.8. To report all legal processes to the NDM (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).

4.2.9. To set performance targets for staff.

4.2.10. To delegate certain functions to heads of departments.

4.2.11. To determine control procedures.

4.3. Duties and functions of communities and consumers

4.3.1. To fulfill certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities.

4.3.2. To pay tariffs and duties imposed by the NDM on or before due date.

4.3.3. To comply with the by-laws and other legislation of the NDM

4.3.4. To refrain from tampering with NDM property.

4.4. Duties and functions of Councillors

4.4.1. To hold regular ward meetings;

4.4.2. To adhere to and convey policies to residents and consumers;

4.4.3. To adhere to the Municipal Code of Conduct for Councillors.

5. PERFORMANCE EVALUATION

5.1. The NDM must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate and take corrective actions on a regular basis to enhance credit control and debt collection.

5.2. Income Collection Targets

The NDM must create targets that include:

5.2.1. Reduction in present monthly increase in debt in line with performance agreements determined.

5.3. Customer Service Targets

The NDM to create targets that would include:

5.3.1. Response time to customer queries.

5.3.2. Date of first account delivery to new customers.

5.4. Administrative Performance

The NDM to create targets that will include:

5.4.1. Cost efficiency of debt collection.

5.4.2. Query and appeal periods.

6. REPORTING

6.1. The Municipal Manager shall report monthly to the NDM Council in a prescribed format determined by the Finance Management Act in

accordance with Chapters 8 and 10 and sections 99 and 100(c) of the Systems Act. This report shall contain particulars on:

6.1.1. Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt).

6.1.2. Performance of all areas against targets agreed to in item 5(3) above of this policy document.

6.1.3. If in the opinion of the Municipal Manager the NDM will not achieve cash receipt income equivalent of the income projected in the annual budget as approved, he must report this with motivation to the NDM and recommend for a revision of the budget according to realistically achievable income levels.

7. CREDIT CONTROL POLICY

7.1. OBJECTIVE

To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt.

7.2. Collection Procedures.

7.2.1. The following procedures will be followed on collection of all outstanding amounts.

7.2.2. Sundry Debtors

In most of the applicable cases a written agreement will serve as the recognition of the debt by the debtor. In the event of the non-existence of a written agreement, an agreement and acknowledge of debt must be completed by the debtor.
A monthly statement is sent out to the sundry debtor which is payable by the due date. A respite period of 5 days after the due date is allowed.

If the sundry debtor fails to pay within this period it becomes a *arrear debtor* and the Finance Manager must:

- Sent a final notice to the debtor to serve as a letter of demand for payment. The debtor has 7 days to react on this letter of demand.
- Issue a summons, if the debtor fails to pay within the due date of the letter of demand and obtain a judgment from the court.
- Hand the debtor's account over to council's legal representatives for collection if the debtor still fails to pay.

7.2.3. Grants from National and Provincial Government

As soon as amounts are identified, as a grant to Nkangala District Municipality, a budget income and expenditure vote is created with the due amount. These votes are monitored and in the event of payments not received when due the Finance Manager must:

- Send a reminder letter to National/Provincial Government.
- Send a final notice to the debtor to serve as a letter of demand for payment. The debtor has 7 days to react on this letter of demand.

- Issue a summons, if the debtor fails to pay within the due date of the letter of demand and obtain a judgment from the court.
- Hand the debtor's account over to council's legal representatives for collection if the debtor still fails to pay.

7.2.5 Public Office Bearers and staff officials Debtors

7.2.4.1. Expenditures resulting from breaches of the Public Office-Bearers Act and employment related legislations and policies must be recovered from the political office-bearer or official to whom it was paid

7.2.4.2. the accounting officer must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments.

7.2.4.3. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality

7.2.5 Interest Charges

7.2.5.1. Interest will be charged on all overdue accounts that are older than 30 days at prime interest rate.

7.2.5.2. Interest will be calculated on a monthly basis.

7.3. Cost of collection

7.3.1 All costs of legal process, including interest, penalties, service discontinuation costs and legal costs associated with customer care or credit control, where ever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

8. DEBT COLLECTION POLICY

8.2. OBJECTIVE

*To provide procedures and mechanisms to collect all the monies due and payable to the NDM arising from the rental of office facilities in order to ensure financial sustainability and delivery of such services in the interest of the comunity***.**

8.3. Personal contact

8.3.5. Telephonic contact, agents calling on clients:

8.3.6. The NDM will endeavour, within the constraints of affordability, to make personal or telephonic and any other communication system contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, their rights in terms of this policy to conclude arrangements.

8.3.7. Such contact and notification does not prevent the NDM to evacuate the facilities.

8.4. Legal Process/Use of attorneys/Use of credit bureaus

8.4.5. The NDM may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgments, garnishee orders and/or sales in

execution of property.

8.4.6. The NDM will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by and approved by the NDM.

8.4.7. The NDM will establish procedures and codes of conduct with these outside parties.

8.4.8. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the NDM's system of debt collection procedures.

8.4.9. All costs of this process will be for the account of the debtor.

8.4.10. Individual debtor accounts are protected and are not the subject of public information. However the NDM may release debtor information to credit bureaus. This release will be in writing or by electronic means.

8.4.11. The NDM may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.

8.5. **Abandonment of Claims**

8.5.5. The Municipal Manager must ensure that all avenues are utilised to

collect the debt in regard rental of facilities.

There are some circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, such as:

8.5.6. The insolvency of the debtor, whose estate has insufficient funds.

8.5.7. A balance being too small to recover, for economic reasons considering the cost of recovery.

8.5.8. Where the NDM on the recommendation of the Attorneys deems that a customer or group of customers is unable to pay for services rendered.

8.5.9. The NDM will maintain audit trials in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

9. PROCEDURES TO ENSURE COMPLIANCE WITH 'GENERAL RECOGNISED ACCOUNTING PRACTICES (GRAP)'.

The accounting of debtors is in compliance with GRAP. Provision for bad debts is made at a reasonable percentage of the average outstanding debtors per year.

10. SHORT TITLE

10.2.5. This policy shall be known as the Nkangala District Municipality’s credit control and debt collection policy.

Budget & Virement policy of Nkangala District Municipality

1. Background

The Municipal Finance Management Act and the Municipal Budget and Reporting Regulations seek to move municipalities away from the traditional approach of appropriating/approving budgets by line item. The aim is to give the managers of municipal departments and programmes greater flexibility in managing their budgets. To further facilitate this, each municipality must put in place a council approved virement policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

2. Introduction

2.1. Webster's New Millennium™ Dictionary of English defines "Virement" as "a regulated transfer or re-allocation of money from one account to another, especially public funds."

2.2. A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.

2.3. Changing circumstances and priorities during a financial period may give rise to a need to virement (transfer) funds within or between approved votes, as defined in the Municipal Finance Management Act 56 of 2003 (MFMA). The treatment of such instances may, however, be dependent on whether an adjustments budget is required or not.

3. Purpose

3.1. The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. A municipality's virement policy and its underlying administrative process within the system of delegations is one of these controls.

3.2. Section 81(1)(d) of the MFMA states inter alia that “The chief financial officer of a municipality-…must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79;…”

3.3. It is the responsibility of each Manager of each Department to which funds are allocated, to plan and conduct assigned operations so as not expend more funds than budgeted and to ensure that funds are utilized effectively and efficiently.

3.4. Section 78(1)(b) of the MFMA states inter alia that “Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure-…(b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;…”

3.5. This policy aims to provide guidelines to senior management in the use of virements as a mechanism in their day-to-day management of their budgets.

In addition it specifically aims to empower senior managers with an efficient financial – and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and the District’s system of delegations.

4. Definitions

4.1. Accounting Officer (MFMA)

“- (a) in relation to a municipality, means the municipal official referred to in section 60; or…”

4.2. Approved Budget (MFMA)

" - means an annual budget-

4.2.1. approved by a municipal council; or
4.2.2. approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;"

4.3. Chief Financial Officer (MFMA)

"a person designated in terms of section 80(2)(a)"

4.4. Cost Element

A line item within a specific category.

4.5. Department or Section

A Department or Section is a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible manager.

4.6. Expenditure Category

Expenditure Category distinguish between the following categories:

4.6.1. Salary and Wages
4.6.2. Councilor allowances
4.6.3. General Expenditure
4.6.4. Repairs and maintenance
4.6.5. Capital Expenditure
4.6.6. Capital Charges
4.6.7. Contributions to Local Municipalities

4.7. Manager

Section 56 of the Systems Act states inter alia that: “Appointment of managers directly accountable to municipal managers - (a) a municipal council, after consultation with the municipal manager, appoints a manager directly accountable to the municipal manager…”

4.8. Financial year

The 12 month period between 1 July and 30 June.

4.9. Vote (MFMA)

“(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”

In the case of the District the definition of Vote is set as follows:

	Vote	Manager Responsible
4.9.1.	Executive and Council	Municipal Manager
4.9.2.	Administration	Manager Corporate Services
4.9.3.	Finance	Manager Finance
4.9.4.	Social Services	Manager Social
4.9.5.	Technical Services	Manager Technical Services
4.9.6.	Local Economic Development	Municipal Manager
4.9.7.	District Planning and IDP	Municipal Manager
4.9.8.	Contributions to Local Municipalities	Municipal Manager

4.10. Virement

The process of transferring an approved budgetary provision from one operating expenditure category to another within a vote during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

5. MFMA REGULATION ON BUDGET VERSUS EXPENDITURE

The MFMA regulates as follows regarding the incurring of expenditure against budgetary provisions.

5.1. Section 15 – Appropriation of funds for expenditure

“A municipality may, except where otherwise provided in this Act, incur expenditure only-

(a) in terms of an approved budget; and

(b) within the limits of the amounts appropriated for the different votes in an approved budget."

5.2. Unauthorised Expenditure (MFMA Definition)

"in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act;"

5.3. Overspending (MFMA Definition)

"(a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
(b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
(c) in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;"

5.4. Section 71(1)(g)(iii) states inter alia

"(1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:…(g) when necessary, an explanation of-

…(iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget…."

6. VIREMENT REQUIREMENTS

6.1. The virement process represents the major mechanism to align and take corrective (financial / budgetary) action within a Department during a financial year.
6.2. In order for a "vote" to transfer funds from one cost element or capital project to another cost element or capital project, a saving has to be identified within the monetary limitations of the approved "giving" cost elementor capital project allocations on the respective budgets.
6.3. Sufficient, (non-committed) budgetary provision should be available within the "giving" vote's cost element or project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.
6.4. Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per MFMA Section 28).
6.5. In terms of Section 17 of the MFMA a municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.
6.6. Virements are not permissible across, or between, votes.

7. OPERATING BUDGET VIREMENTS

7.1. Virements are not allowed to utilise special purpose budgetary allocations, adopted by Council as such and to which specific Council recommendations apply (e.g. budget strategy for growth in repairs and maintenance provisions) and which result from specific resolutions adopted when adopting the budget, as virement sources.

7.2. Sound motivations should be provided for all virements, as provided for on pro forma virement documentation.

7.3. Specific virement limitations:

7.3.1. <u>Salaries, Wages and Allowances Subjective Category:</u>

7.3.1.1. Virements are allowed between cost elements of - and only if these virements are within - this subjective category, subjective to the approval of the relevant Manager and the Chief Financial Officer.

7.3.1.2. Virements to and from this subjective expenditure category are subject to the approval of the Accounting Officer and/or the Chief Financial Officer.

7.3.2. <u>Remuneration of Councillors</u>

7.3.2.1. Virements within this category are allowed between cost elements, subjective to the approval of the relevant Manager and/or the Chief Financial Officer

7.3.2.2. No virements to and from this subjective expenditure category are allowed.

7.3.3. General Expenditure

7.3.3.1. Virements within this category are allowed between cost elements, subjective to the approval of the relevant Manager and the Chief Financial Officer. (Virements are allowed from General Expenditure to Repairs and Maintenance).

7.3.3.2. The following cost elements categories are not to be used as sources of virements, but virements are allowed within each category:

- Training related expenditure
- Bargaining Council provisions and skills development levies
- Insurance related provisions
- Pensioner and Continued Members

7.3.3.3. Virements to and from this subjective expenditure category are allowed between cost elements subject to the approval of the Accounting Officer and/or the Chief Financial Officer.

7.3.4. Repairs and Maintenance

7.3.4.1. Virements within this category are allowed between cost elements, subjective to the approval of the relevant Manager and the Chief Financial Officer.

7.3.4.2. Virements to and from this subjective expenditure category are subject to the approval of the Accounting Officer and/or the Chief Financial Officer.

7.3.5. Capital Charges.

7.3.5.1. No virements to and from this subjective expenditure category are allowed.

7.3.6. Contributions to Local Municipalities

7.3.6.1. Virements within this category are allowed between cost elements, subjective to the approval of the Accounting Officer and/or the Chief Financial Officer.

8. CAPITAL BUDGET VIREMENTS

8.1.1.1. Virements within this category are allowed between cost elements, subjective to the approval of the relevant Manager.

8.1.1.2. No virements to and from this category are allowed.

9. PROCESS AND ACCOUNTABILITY

9.1. Accountability to ensure that virement application forms are completed in accordance with Council's virement policy and are not in conflict with the department's strategic objectives manifests with the manager of the relevant department.

9.2. Virements must offset each other so that virements in Total Expenditure equals zero

9.3. Completed virement documentation is to be effected by the Chief Accountant.

9.4. Virements approved and processed will be reported for information to the Executive Mayor on a quarterly basis.

10. ANNEXURES

Annexure A: Operating Budget Virement Form

Annexure B: Capital Budget Virement Form

Annexure A: Operating Budget Virement Form

Nkangala District Municipality			
To	Budget Officer		
From			
Changing circumstances and priorities during a financial period gave rise to a need to a budget virement (transfer) funds within or between approved Votes, categories or line items as defined in the Municipal Finance Management Act 56 of 2003 (MFMA). The treatment of such instances may, however, be dependent on whether an adjustments budget is required or not.			
Budget Line	Increase Amount	Decrease Amount	Reason for virement
The above virement constitute an adjustments budget in term of the MFMA	Yes		No
Requested by	Signature		Date
Approved by	Signature		Date
Approved by Chief Financial Officer	Signature		Date
Affected by	Signature		Date

Annexure B: Capital Budget Virement Form

Nkangala District Municipality			
To	Budget Officer		
From			
Changing circumstances and priorities during a financial period gave rise to a need to a budget virement (transfer) funds within or between approved Votes, categories or line items as defined in the Municipal Finance Management Act 56 of 2003 (MFMA). The treatment of such instances may, however, be dependent on whether an adjustments budget is required or not.			
Budget Line	Increase Amount	Decrease Amount	Reason for virement
The above virement constitute an adjustments budget in term of the MFMA	Yes		No
Requested by	Signature		Date
Approved by	Signature		Date
Approved by Chief Financial Officer	Signature		Date
Affected by	Signature		Date

NKANGALA DISTRICT MUNICIPALITY

FLEET MANAGEMENT AND PETROL CARD USAGE POLICY

TABLE OF CONTENTS

FLEET MANAGEMENT AND PETROL CARD USAGE POLICY - NKANGALA DISTRICT MUNICIPALITY

Definitions

Unless the context otherwise indicates:

i. Fleet Manager

Refers to the Nkangala District Municipality's Fleet Manager;

ii. Fleet Assets

Refers to Municipality's vehicles and machines;

iii. Driver

Is the official of the Nkangala District Municipality entrusted with a fleet asset at any given time;

iv. Asset Management Policy.

Refers to the approved Asset Management Policy of Nkangala District Municipality;

v. Issue form

Refers to the trip authority form, that allows a driver to drive a municipal vehicle as per the route detailed in such a form;

vi. Management of Pool Vehicles

Management will include servicing, maintenance, issuing of vehicles, *licensing*, purchasing and disposal thereof;

vii. Log Book

Give details of the route travelled by the driver, including the kilometer reading of the vehicle used for the authorized purpose, and any comments;

viii. Petrol card

Refer to the petrol cards issued per vehicle by the NDM's bank.

1 Introduction

1.1 Department Corporate Services of Nkangala District Municipality presently manages the Municipality's fleet vehicles of the Nkangala Office and Social Services manage the fleet of vehicles at the Kwamhlanga Fire Station and the Disaster Management Centre. The size of the fleet managed by the both departments is quite small. Technical Services manages the fleet of machinery and equipment.

1.2 The introduction of an efficient fleet management system will ensure the equitable distribution of vehicles across Nkangala District Municipality's departments. A component of a pool vehicle system will be entrenched therein. The pool vehicle system will also ensure easy access to Municipality's vehicles by all departments, as vehicles will be controlled and managed from a central point i.e. Corporate Services department. It will contribute to the effective and efficient use of the Municipality's resources in that the number of vehicles required will be reduced and the official will be allocated the type of vehicle required for the road and purpose he/ she is travelling on.

2 Purpose

2.1 To provide and maintain an effective and efficient fleet of vehicles, list of machinery and equipment, and manage such fleet in a manner that the Municipality's mission and fleet user's aspired goals are met in a cost effective way.

2.2 To regulate the management and use of pool vehicles by the officials of the Nkangala District Municipality and to ensure that the fleet is used in a safe and efficient manner.

2.3 To provide a procedure for reporting accidents and procedure of conducting an inquiry into vehicle accidents involving Municipal vehicles.

2.4 To provide a framework for remedial actions to be instituted by Management.

2.5 To introduce operational controls which explain clearly who can use a vehicle with regard to drivers, passengers, authority to use, issuing, parking, log books, fuel management, fuel cards, keys and equipment.

2.6 To ensure that vehicles are serviced on time and properly maintained to support the Municipality in the attainment of its objectives.

2.7 To co-ordinate the management of Municipal transport by means of control measures which are applicable to all officials and Councilors.

3 Management, Accountability and Responsibility for NDM's Fleet Assets

3.1 The fleet management policy and operational fleet management will be the responsibility of the Corporate Services Department and will be administered by the Legal Services Manager or a person delegated to perform the latter duties by the Manager of the Department.

3.2 Corporate Services Department must maintain a list of vehicles, machinery and equipment.

3.3 Fleet assets required on an ad hoc, seasonal or temporary basis should be provided from the central pool.

3.4 This policy will apply to all Nkangala District Municipality officials, who are required to use pool vehicles when conducting their official duties.

3.5 This applies to contract / temporary as well as full time employees.

3.6 Heads of Departments of NDM will be accountable for the vehicles which are allocated to officials within their respective Departments.

3.7 Authorization for the usage of vehicles will only be approved by Heads of Departments, except where the HOD has delegated such a power to the senior official within his/her Department.

3.8 Such an official referred to in 3.7 must be from the level of a Assistant Manager or higher.

3.9 Social Services is responsible for the management of fleet assets that have been allocated to their respective Department in relation to the Kwamhlanga Fire Station and Disaster Management Centre.

3.10 HOD's are required to budget in their operational budget for the usage of vehicles by the employees within their Departments.

3.11 The Manager Corporate Services are responsible for the disciplinary action arising from the misuse of the Municipality's vehicles by the employees.

4 Policy statement

4.1 This policy covers the use and management of pool vehicles within the Nkangala District Municipality.

4.2 If vehicles are paid for by the Nkangala District Municipality but managed by other Municipalities, the recipient municipality must ensure that their control systems are as effective as those outlined in the policy. They must report against the key performance indicators used by the Nkangala District Municipality. NDM must visit the recipient Municipality once every quarter to inspect the condition of the vehicles and to ensure that they still exist.

4.3 Transport to a department of the Nkangala District Municipality is supplied as a tool to support the department in the delivery of its objectives. It must therefore be used in the most cost-effective manner.

4.4 The Corporate Services Department is responsible for the ongoing development of a policy framework and an operational management system for the use of pool vehicles.

4.5 The Corporate Services Department will co-ordinate Nkangala District Municipality's fleet management and consolidate fleet management report within 10 days after end of each month and submit such report to the Municipal Manager.

4.6 The fleet management report should include (but not limited to) kilometers travelled, maintenance done for the month, the cost incurred, damages, as per clause/paragraph 7 below.

5 Utilisation of fleet assets

5.1 The Municipality's fleet assets should be utilized in a responsible manner, which will ensure the valuable and long- term use of such assets.

5.2 Negative deviations must be reported, followed up and corrected on a continuous basis.

5.3 Allocation of Vehicles

5.3.1 All NDM vehicles are considered as the property of the Municipality regardless of the original source of the vehicle.

5.3.2 There are three (3) types of allocations that can be approved by the Heads of Departments of NDM.

5.3.2.1 Permanent allocation

Permanent allocation to officials will be due to the nature of the duties performed, frequency of the usage of the vehicle and for emergency services. Permanent allocation will be reviewed annually.

5.3.2.1.1 An official with a Municipality's vehicle allocated to him/her will be required to sign a weekly trip authority which will be approved by his/ her HOD.

5.3.2.1.2 Keys and logbooks for permanently allocated vehicles should be returned to Corporate Services Department every Friday by no later than 16h00 and collected on Monday mornings, on completion of the trip authority mentioned in 5.3.2.1.1.

5.3.2.1.3 Monthly log sheets in respect of permanently allocated vehicles will have to be submitted to Budget and Treasury Office by the relevant department for costing purposes.

5.3.2.1.4 The Head of the relevant department will be responsible for arranging for repairs and maintenance of the vehicle permanently allocated to the

officials and it will be the responsibility of the official/ Department to whom the vehicle is permanently allocated to take it in for repairs.

5.3.2.1.5 Motivation for the allocation referred to 5.3.2 in must be in writing stating the reason for such an allocation with the signature of the HOD.

5.3.2.1.6 When the vehicle is not in use during the day, the driver must ensure that the vehicle's keys are handed to a designated official for safe-keeping.

5.3.2.1.7 The Heads of Departments shall take responsibility and be accountable for official's allocated vehicles in their respective departments.

5.3.2.2 Short term allocation

5.3.2.2.1 Vehicles can be allocated to officials for a short term period of a week, two weeks or a month depending on the need.

5.3.2.2.2 Short term allocation of vehicles can only be effected subject to an approval by the Head of Department of the official who intends to have the vehicle allocated.

5.3.2.2.3 The Corporate Services Department can't issue a vehicle for short-term allocation without the approval of the HOD.

5.3.2.3 Pool vehicles (i.e. vehicles used on a casual basis).

5.3.2.3.1 The policy caters for regular and daily allocation of pool vehicles.

5.3.2.3.2 The regular or daily allocation operates on the basis of day to day need for the use of vehicles as determined by the official's operation duties of NDM.

5.3.2.3.3 The allocations referred to in 5.3.2.3.1 require a signed trip authority which is approved by the HOD in which the official seeking a vehicle is located

5.3.2.3.4 In the event of non-availability of pool vehicles, the Corporate Services Department will make necessary arrangements by approaching departments with permanently allocated vehicles. Departments are under no circumstances allowed to lend vehicles that are permanently allocated to them to users from other departments without consulting Corporate Services Department.

5.4 Who can use a pool vehicle?

5.4.1 Pool vehicles can be used by any official with the authorized trip authority involved in an activity in line with the objectives of the responsible department within the Nkangala District Municipality.

5.4.2 Vehicles cannot be used for party political purposes under any circumstances, or to take part in industrial union activities.

5.5 Care and Safe Guarding of Municipal Vehicles

5.5.1 Municipal vehicles must be kept in a clean and neat condition at all times.

5.5.2 No smoking is allowed in Municipal vehicles.

5.5.3 Although eating and drinking in Municipal vehicles is not encouraged, should circumstances dictate otherwise, the driver should remove litter/ left-overs from the vehicle.

5.5.4 No intoxicating substance must be consumed before and/or whilst driving a Municipal vehicle.

5.6 Exclusions

5.6.1 This policy does not apply to Municipal employees who are receiving car allowances, as a separate policy for those employees is in place.

5.6.2 Councilors who receive car allowance for the use of NDM vehicles for performing ceremonial functions should comply with Policy on Use of Municipal Vehicles by Councilors Performing Ceremonial Functions.

5.7 Drivers

5.7.1 A pool vehicle can only be driven by Nkangala District Municipality employees.

5.7.2 The driver must have an unendorsed valid driver’s license. The officer must check the license for validity and the ability to drive.

5.7.3 The driver must have no outstanding transport related disciplinary action against them at the time of taking the vehicle.

5.7.4 Where necessary, drivers must be in possession of a Professional Drivers Permit.

5.8 Passengers

5.8.1 Passengers carried by a pool vehicle must be authorized to travel in the vehicle.

5.8.2 The picking up of casual passengers (i.e. hitchhikers) is not allowed under any circumstances.

5.8.3 The driver of the vehicle will be held responsible for ensuring that unauthorized passengers are not conveyed.

5.8.4 Indemnification letter must be signed by the HOD authorizing the official who intends to carry passengers who are not Municipal officials. (refer to Annexure "B")

5.9 Authority to use a vehicle

5.9.1 All officials requiring a vehicle must have a signed trip authority from their management before the vehicle is allocated.

5.9.2 In normal circumstances a trip authority must be authorized by an official at Assistant Manager level or above, who is senior to the person traveling and is in their direct management line.

5.9.3 In circumstances where this is not possible, alternate signatories must be identified within the Municipality.

5.9.4 If a vehicle is moved in an emergency, a trip authority must be obtained immediately after the event, or within 24 hours of the movement.

5.9.5 This process is only to be used in a case of extreme emergency and the manager must be satisfied that the journey was necessary.

5.9.6 If a vehicle is based with a member of staff away from the office, then a trip authority can be issued against a weekly or monthly work plan.

5.9.7 Trip authorities must not run longer than one week at a time for staff based at the main office.

5.10 Issuing of vehicles

5.10.1 All vehicles should be issued on the day of travel unless advance authority to park the vehicle at home has been obtained, refer to Clause 5.11 of this policy.

5.10.2 The driver must carry his/her license and produce it to the transport officer within the Corporate Services Department upon request.

5.10.3 The signed trip authority must be carried in the vehicle with a copy placed on the file at the Corporate Services Department.

5.10.4 The intended time of departure and return is to be recorded on to the vehicle issue form and compared against the actual time of return.

5.10.5 Continued late return of vehicles may lead to a refusal to allocate vehicles in the future.

5.10.6 The person responsible for fleet will complete a vehicle issue form and a visual checklist before and after each trip. (refer to Annexures "A" and "C")

5.10.7 The driver will then sign the issue form.

5.10.8 The driver then takes responsibility for the vehicle at this point. The vehicle will be checked using the same procedures.

5.10.9 The driver must hand in all petrol/diesel/oil purchase slips to the transport officer for checking and allocation after each trip.

5.11 Parking a vehicle overnight

5.11.1 In normal circumstances vehicles must be parked at official locations.

5.11.2 The officer responsible for transport must allocate an approved parking place for each vehicle.

5.11.3 The parking places should be lockable or with 24 hour security available.

5.11.4 When the vehicle is away from Municipality's parking, the ensure that the vehicle is locked and parked at secure facilities.

5.11.5 Where secure facilities are not available, the vehicle should be parked at the nearest official property.

5.11.6 The driver of the vehicle is responsible for ensuring that the vehicle is parked as safely as circumstances permit.

5.11.7 Parking charges for the use of secure parking will be refunded.

5.11.8 Permission may be given for a vehicle to be parked overnight at a home of an official if:

5.11.8.1 The driver undertakes to keep the vehicle in adequately secured premises i.e. a garage or lockable gates and,

5.11.8.2 The member of staff will be leaving early morning or returning late at night.

5.11.8.3 The actual times that this would come into force would be the time when public transport starts / stops. Exceptions can also be made if the personal security of the individual is also at stake, or

5.11.8.4 The home of the individual is at a place between the office and their destination such that it is not sensible to come into the office (normally a journey saving of at least 25 km would be expected), or

5.11.8.5 The individual works from home or,

5.11.8.6 The individual is on call and there is no means by which they can be transported in event of a call out.

5.11.9 A signed authority form to park a vehicle at home must be issued. (refer to Annexure "D")

5.11.10 The person responsible for signing trip authorities must sign it.

5.11.11 It will normally be issued for each occasion.

5.11.12 However, for those on call, blanket permission can be issued for a specific time period.

5.11.13 The permission is subject to review and can be withdrawn at any time.

5.11.14 Whilst a vehicle is parked at home it may not be used for any private purposes.

5.11.15 If an emergency arises and it becomes necessary to use the vehicle, a signed trip authority for the movement must be obtained within 24 hours of the journey.

5.11.16 Private use of the vehicle whilst parked at home will lead to the withdrawal of the privilege and possible disciplinary action.

5.11.17 The officer responsible for transport must perform a distance check to determine the reasonableness thereof.

6 Log books, petrol cards, vehicle keys, and vehicle equipment

6.1 The driver takes responsibility for the logbook, keys and petrol card once the vehicle issue form has been signed until the vehicle has been returned to the transport officer at the end of the journey.

6.2 All vehicle keys should be safely secured (preferably in a locked container) in the transport office when the vehicle is not in use.

6.3 A spare set of all vehicle keys should be kept in a secure place, e.g. the office safe.

6.4 The petrol card is to be treated as cash and the driver will be held responsible for the transactions that take place on it whilst it is in his/her possession.

6.5 The petrol card must not be used for schedule maintenance and repairs of vehicles, they can be used only on emergency cases.

6.6 All fuel receipts must be kept and made available when the vehicle is returned to the transport officer.

6.7 The fleet manager must ensure that all municipal vehicles are e-tagged

6.8 It is the responsibility of the driver to fill in the vehicle logbook legibly and accurately.

6.9 It must be possible from the details given for a distance check to be carried out. A distance check must be performed where the vehicle was not parked at official locations. Adhoc distance checks should be performed where vehicles are parked at official locations. This should be performed by the officer responsible for transport. The officer responsible for transport must either attach a calculation of the distance check to the "Vehicle Issue Form" or must perform the calculation on the form. Any discrepancies should be investigated.

6.10 Loose vehicle equipment, e.g. the spare wheel, toolkit, jack and any other extras will be checked at the time of issuing the vehicle and will remain the responsibility of the driver until such time as the vehicle is returned to the transport officer.

6.11 The Fleet Manager will make available to the Budget and Treasury Office log sheets at the end of each month for costing purposes.

6.12 The copy of the log sheet will thereafter be stored in the electronic data system.

7 Management systems

7.1 The following key indicators will be kept for each vehicle by the Senior Administration Officer: Assets and Archives.

- Actual kilometers traveled
- Fuel utilization (km/l)
- Total maintenance cost
- Maintenance cost per kilometer
- Running cost per kilometer
- Availability
- Utilization
- Vehicle Performance Vs other similar vehicles within the fleet
- Accidents

8 Vehicle Accidents

8.1 A copy of the accident report form should be kept in the vehicle.

8.2 The following procedure shall be followed in the event of a Municipality-owned motor vehicle becoming involved in an accident, no matter how trivial, and irrespective of whether or not any person or animal or property, other than the Municipality's vehicle is involved: -

8.2.1 Call a police or a traffic officer and, if requested to do so supply name and address of the driver of the motor vehicle to any person having reasonable grounds for requiring this information.

8.2.2 If a police or traffic officer is not available, report the accident to a police station as soon after the occurrence of the accident as practicable, but at least within 24 hours.

8.2.3 In no circumstances shall liability be admitted or unguarded statements are made to any person or payment offered or made to a third party.

8.2.4 Should any third party involved admits liability, endeavors should be made to obtain a statement in writing from him/her to this effect.

8.2.5 Should a driver of a vehicle be suspected of being under the influence of intoxicating liquor or narcotic drugs, this fact must be brought to the notice of the police or traffic officer present at the scene of the accident, with the least possible delay and every assistance should be rendered to such police or traffic officer in ensuring that the suspected person is examined by a doctor as soon as possible, or be subjected to a legally permissible Alco-test.

8.2.6 Obtain as soon as possible, preferably at the scene of the accident, at least the following particulars, which are required for completing the accident report form and be kept in the vehicle: -

8.2.6.1 Registration number, make and type of other vehicle(s).

8.2.6.2 Name(s) and address of driver(s) of the other vehicle(s).

8.2.6.3 Name(s) and address(es) of person(s) involved in an accident be it she/he/they was/were passenger/s of the Municipal vehicle's driver or the third party or pedestrian(s).

8.2.6.4 Name and address of the third party's insurance company.

8.2.6.5 Name, occupation and address and age or estimated age of any pedestrian(s) involved in the accident and of any pedestrians killed or injured

8.2.6.6 Description of animals and fixed objects involved in the accident and the name and address of the owner.

8.2.6.7 Name and address of witnesses including the occupants of the other vehicle(s) in their capacities as witnesses.

8.2.6.8 Measurements for the preparation of a sketch of the scene of the accident (pace off the distance if there is no scientific tape measure).

8.2.6.9 Note the geographical landscape of the place of accident, type of road, accident related obstructive substances of object on or around the road, road make-up including any fencing and weather condition at the time of the accident.

8.2.6.10 The Municipality's vehicle user should obtain identity of the third party involved in the accident.

9 Internal Accident Reporting

9.1 The driver of the Municipal vehicle shall, within twenty-four hours after the accident, submit a written report to the officer responsible for transport, who will ensure that the accident report form is completed and forwarded to the Senior Insurance Clerk.

9.2 The Senior Insurance Clerk or his/her superior shall make endeavors (in addition to obtaining a mechanical report on the condition of the vehicle after the accident) to obtain a minimum of two repair quotations from different repairing agencies or write- off report if applicable and trade-in value of the vehicle.

9.3 In the event of institution of a legal action by the third party, the driver concerned shall upon receipt of summons, subpoena or notice to appear in court pass that information to the Senior Insurance Clerk or his/her superior so that the Municipality's insurers may be approached.

9.4 Any accident, damage or third party claim received shall immediately be submitted to the Senior Insurance Clerk. Any damage made to the Municipal vehicle as a result of an accident involving another vehicle or animal/s or any object, shall be reported to the officer responsible for transport who will ensure that the accident report form is completed and forwarded to the Senior Insurance Clerk.

9.5 Upon admission of complete liability in the accident report a driver of the Municipal vehicle involved in accident shall be given an option to personally bear all repair costs.

10 Accident Committee

This is a Committee appointed by the Executive Manager Corporate Services to assist him/her in the investigations of misuse of Municipal fleet and motor vehicle accidents.

10.1 Duties of the Accident Committee

10.1.1 To consider reports on the misuse of Municipal vehicles.

10.1.2 To consider reports on motor vehicle accidents.

10.1.3 To consider reports on any non-compliance of the Municipality's Fleet Management Policy and Asset Management Policy.

10.1.4 Interview the driver, assessor, third party or any other person with information relevant to the accident. In addition, the Accident Committee may:

- Request witnesses to make a verbal/written statement about the accident.
- Probe the nature of the trip and granting of authority to the driver.

10.1.5 Recommend actions to be taken against drivers to the Manager: Corporate Services Manager.

10.1.6 The committee must meet 2 weeks (or earlier) after the accident occurred.

11 Duties of the officer responsible for transport

11.1 Shall investigate all Vehicle Accidents and gather all documentary, photographic and other evidence that may be relevant to the case and submit to accident committee.

11.2 If feasible the officer responsible for transport, with the assistance of the Senior Safety Officer, may conduct an inspection of the accident scene.

11.3 The officer responsible for transport must submit a report on results of points 11.1 to 11.3 to the Accident Committee referred to 10.

12 Framework for remedial Actions

12.1 All remedial and corrective actions will be subject to and governed by the Municipality's disciplinary procedure.

12.2 The following structure of progressive imposition of fines on drivers who have been found partly or mainly responsible for the occurrence of the accident involving a Municipal vehicle through direct or indirect means, shall be adhered to: -

TABLE OF FINES

RATE OF DAMAGE (%)	RATE OF FINE ®
0 – 5	250
6-10	500
11-15	750
16-20	1 000
21-25	1 250
26-30	1 500
31-35	1 750
36-40	2 000
41-45	2 250
46-50	2 500
51-55	2 750
56-60	3 000
61-65	3 250
66-70	3 500
71-75	3 750
76-80	4 000
81-85	4 250
86-90	4 500
91-95	4 750
96-100	5 000

12.2.1 These represent minimum fines. Should the cost of repairs be less than the amounts shown above, the amount of the fine will not exceed the total cost of repairs. The rate of damage shall be determined as follows:-

Approved cost of repairs X 100 divide by Trade-in-value

12.2.2 These fines may be imposed in addition to any sanction, which a Disciplinary Hearing may decide upon.

12.3 The fine is payable by means of deduction from an employee's salary over a period not longer than 6 months. A motivation letter must be submitted to the Manager: Corporate Services where an employee requires the period to exceed 6 months.

12.3.1 The Municipal employee shall sign an acknowledgement of debt in which the time frame for the payment of the fine shall also be captured.

13 Hired Vehicles

13.1 In the case when no pool vehicles are available, the Head of Department must approve the hire of vehicle and confirm funding. It will be the responsibility of the officer responsible for transport to hire such a vehicle without delay.

13.2 The Policy will apply to all hired vehicles when no pool vehicle is available, but will exclude car rentals when officials travel by plane when away on official business of council, which will be dealt with through the travel, accommodation and subsistence policy.

14 Disposal and acquisition of fleet assets by Nkangala District Municipality

14.1 Fleet Assets will be disposed in line with the Supply Chain Management policy and regulations and the Asset Management Policy, Procedures and Implementation guide.

14.2 Vehicles will be replaced every 5 years or 200 000km, subject to the overall condition of the vehicle, and availability of budgeted funds.

14.3 The Municipality will require a Certificate of Fitness annually from a reputable organization for every vehicle that falls outside the warranty period.

14.4 The Asset Management Policy, Procedures and Implementation guide outlines the procedures to be followed in acquiring Municipal assets, and the same will apply to the fleet assets.

15 Traffic Offences

15.1 The driver of a Municipal vehicle shall diligently obey all traffic laws and shall be responsible for the payment of all traffic fines which may be attributable to his or her negligence, and the amount will be deducted from his/her salary and/or in terms of the credit control policy

15.2 The Municipality may, at its sole discretion, financially assist a driver convicted of a road traffic offence with the payment of a fine or private legal assistance to enable a driver to defend a criminal or civil claim against him or her in a court of law.

15.3 The officer responsible for transport will direct traffic fines to relevant users for payment by the offender. The logbook will be used as a source document to ascertain the offenders of traffic rules.

	Nkangala District Municipality	**FMP-NDM 1**
	Vehicle issue/ Trip Authorization form	
SECTION A : DETAILS OF DRIVER		***Mileage***
Name of driver:		Out :
Driver[s] ID number :		In :
Name[s] of passenger[s] :		Distance travelled:
		License Code :
		Time
		Out :
		In :
SECTION B : TRIP PARTICULARS		
From:	To:	***Date of Trip:***
From:	To:	***Date of Trip:***
SECTION C: DETAILS OF ALLOCATED VEHICLE		
Department	Vehicle Stationed	***OFFICIAL STAMP***
Registration No.	Make/Model	
Condition of Vehicle		
[Please note that if the vehicle is to be kept overnight, signed permission must be given by Head of Department]		
Approval by HOD for overnight stay :	YES/NO	
Signature of driver	Print Name	
SECTION D : APPROVAL	Trip approved by Dept. Head/Designate:	***SECTION E : Issued by:***
Signature	Print Name	***Signature***
		Print Name
Condition of Vehicle at return		

FMP-NDM 2

NKANGALA DISTRICT MUNICIPALITY

Date:................................

To:...................................

<u>AUTHORITY TO TRAVEL AS PASSENGER IN COUNCIL VEHICLE</u>

<u>ACCEPTANCEBYPASSENGER</u>

I.....................................hereby understand that I shall travel as a passenger in the municipal vehicle referred to herein solely at my risk and hereby agree to indemnify the Municipality, its agents, employees or contractors against any loss, damage or injury which I may suffer as a result of my conveyance in the said vehicle.

<u>SIGNATUREOF</u>
<u>PASSENGER</u>

DATE:...............................

<u>AUTHORITY TO TRAVEL AS PASSENGER IN COUNCIL VEHICLE</u>

Authority is hereby given for you to travel as a passenger in Municipal Vehicle Registration Number.................. On .... for the purpose of..

By traveling a passenger in the aforesaid vehicle, you hereby agree that neither the Municipality nor any of its agents, employees or contractors, shall be liable for any injury, loss or damage to you whatsoever arising from your conveyance in the said vehicle and you hereby waive any claim you may have against the Municipality in this regard.

Yours
faithfully

SIGNATURE OF HEAD OF DEPARTMENT: _____________

DATE: ______________

FMP-NDM 3

NKANGALA DISTRICT MUNICIPALITY VEHICLE

CHECKLIST PRIOR TO USAGE

DRIVER'S NAME:	DATE : ....
VEHICLE MAKE:	REG. NO. ....
TIME ISSUED :	TIME RETURNED: ....

I AM AWARE OF THE FLEET MANAGEMENT POLICY AND PROCEDURES AND WILL ADHERE TO ALL CONDITIONS PRESCRIBED. I AM AWARE THAT, IF I LOSE THE FUEL CARD AND PARKING DISK, I WILL BE RESPONSIBLE FOR THE REPLACEMENT COSTS.

ACCESSORIES & PARTS	YES	NO	REMARKS
Unendorsed Credit Card Drivers Licence			
Radio fitted or supplied			
Petrol level [full tank, ¾, ½, ¼			
Oil level checked			
Spare wheel, Jack and spanners			
Windscreen			
Dents			
Mirrors			
Oil Leaks			
Rubber Mats			
Check Licence Disc for validity and write			
Check fuel cap for security			
Log Book issued			
Fuel card issued			
Parking Disc			
Tyre Check			
Further comments.			
SIGNATURE OF DRIVER			

FMP-NDM 4

NKANGALA DISTRICT MUNICIPALITY

APPLICATION TO PARK VEHICLE AT HOME OR OTHER SECURE AREA

To: Head of Department

I hereby apply for authority to park municipal vehicle Registration Number

_____________at my home situated at ____or at the property situated at _______.

The reasons for this application are as follows:

In the event of my application being approved, I agree to abide by the provisions of the Municipality's policy with regard to the parking of the vehicle at my home or other secure area.

SIGNATURE OF APPLICANT: ___________________________________

DATE: _________________________

DESIGNATION: ______________________________

DEPARTMENT: _____________________________

APPLICATION APPROVED/ NOT APPROVED BY MANAGER: RESPONSIBLE FOR FLEET FOR THE FOLLOWING REASON(S)

____

SIGNATURE OF HEAD OF DEPARTMENT: ________________________ DATE: ____

OR

Authority is hereby granted to................................ to park municipal vehicle

Registration Number... at his/her home situated at ....or

at the property situated at ...., being the approved parking

area, subject to the following conditions:

[a] The authority contained herein being valid for the period .... to ....

[b] The authority contained herein being subject to review or withdrawal at any time subject to prior consultation with the employee where necessary.

[c] That whilst the vehicle is parked at the home of the employee or at the approved parking area, it may not be used for any non- work or private purpose.

[d] That if an emergency arises whilst the vehicle is parked at the home of employee or the approved parking area necessitating the use of the vehicle, then a signed trip authority for the movement of such vehicle must be obtained within 24 hours of the journey.

[e] The private use of a vehicle whilst parked at the home of the employee or the approved parking area will lead to the withdrawal of the privilege and possible disciplinary action against the employee concerned.

SIGNATURE OF HEAD OF DEPARTMENT : ....

DATE:.........................20.................

FMP-NDM 5

NKANGALA DISTRICT MUNCIPALITY

STOLEN VEHICLE REPORT

VEHICLE REGISTRATION NUMBER	
MAKE	
MODEL	
YEAR	
VEHICLE INVENTORY NUMBER	
COLOUR	
ENGINE NUMBER	
MILEAGE/ODOMETER READING	
DATE OF LAST SERVICE	
GENERAL CONDITION INCLUDING RUST	
NAME OF DRIVER AT TIME OF THEFT	
DATE OF THEFT	
PLACE OF THEFT	
SATE CIRCUMSTANCES IN WHICH THEFT TOOK PLACE	

	YES	NO
WAS THE THEFT REPORTED TO THE SOUTH AFRICAN POLICE SERVICES		

IF YES, DATE OF REPORTING	
S.A. POLICE SERVICE CR NUMBER	
DATE REPORTED TO INSURER	
DATE REPORTED TO COUNCIL	
RESPONSE FROM INSURANCE COMPANY:	

SIGNATURE OF DRIVER ______________________

SIGNATURE OF MANAGER: FLEET MANAGEMENT ______________________

DATE ______________________

DATE ______________________

ACCOMMODATION TRAVEL AND SUBSISTENCE POLICY

NKANGALA DISTRICT MUNICIPALITY

INDEX

1 OBJECTIVE

It is essential that Councillor/Official of the municipality from time to time travel to other cities and towns in order to establish and maintain links and relationships with other municipalities, government bodies, and other parties, institutions and organisations operating in the sphere of local government. It is important forCouncillor/Official to broaden their knowledge and understanding of and compare local experiences in local government transformation, innovation and change in the rest of the country, and this can effectively be done only through the medium of personal contact with a wide range of local government stakeholders.

In terms of the Income Tax Act (No. 58 of 1962) Councillors and officials traveling to other destinations for official business purposes or needs be granted an ad-hoc travel and subsistence allowance.

The object of this policy is to enforce the promulgated legislation in terms of ad-hoc travel and subsistence allowances, in order to set uniform guidelines for Councillors and officials from Nkangala District Municipality.

This policy sets out the basis for the payment of a subsistence and travel allowance for the purposes of such official travelling.

2 DEFINITIONS

Car ownership cost: Means the cost based on 10 000 km per year as reflected and maintained in the AA Tables for "Estimated average car ownership cost over six years

Councillor as defined in terms of the Municipal Structures Act (Act 117 of 1998)

Day allowance is equivalent to the total allowance granted for meals and incidental cost for 24-hour period portion thereof to a minimum of 6 hours after the first 24 hours.

Holder of public office (Councilor) is any member of a municipal council.

Incidental cost expenses which are not necessarily incurred in performing the duties of employment whilst away on business (e.g telephone cost, laundry cost, drinks, tips etc.)

Meals, any food/refreshment that an employee is entitled to whilst on official Council business away from the workplace.

Municipal official, in relation to a municipality or municipal entity, means:

- An employee of a municipality or municipal entity
- A person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- A person contracted by a municipality or municipal entity otherwise than as an employee

Official duty approved official council business / activities

Official travel is the travel on official business away from their normal workplace and exclude travel from and to their workplace

Purchase price: Means, in the case of a new vehicle, the actual invoice price of the vehicle without regard being had to any discount allowed or trade-in price negotiated and, in the case of a second-hand vehicle, the retail price indicated in the "Auto Dealer's Digest" plus VAT

SARS South African Revenue Services

Total fixed cost: Means the tariff in cents per kilometer as reflected and maintained in the AA Tables for "Estimated average car ownership cost over six years" and determined by the actual purchase price of the vehicle

Transport allowance bearing post: Means a post to which a fixed or running monthly transport allowance is coupled

Travel: domestic: For purposes of this policy, domestic travel shall mean travel within South Africa

Travel: International: For purpose of this policy, international travel shall mean travel to any country outside South Africa

3 RESPONSIBILITIES OF COUNCILLOR/OFFICIAL WHO TRAVEL ON BUSINESS OF THE MUNICIPALITY

3.1 Every Councillor/Official who travels on the business of the municipality must comply with this policy in letter and in spirit.

3.2 Councillor/Official who travel on the business of the municipality must appreciate, at all times, that they are ambassadors for the municipality, that their actions, conduct and statements must be in the best interests of the municipality, and that they must comply with any specific mandates they have been given.

4 SUBSISTENCE AND TRAVEL ALLOWANCE

4.1 A subsistence and travel allowance is an amount of money paid by the municipality to a Councillor/Official to cover the following expenses:

4.1.1 meals (including reasonable gratuities);

4.1.2 incidentals such as refreshments, snacks, drinks and newspapers; and

4.1.3 all business-related travel.

4.2 A subsistence allowance does not cover any personal recreation, such as visits to a cinema, theatre or nightclubs, or sightseeing.

4.3 Calculation of the allowances shall be in respect of the period from the latest reasonable time at which it would be necessary for the traveler using the authorized form of transport to leave the ordinary place of residence or office in order to be present at the appointed time to the earliest reasonable time on or about which such traveler could, by using such transport, arrive back at the ordinary place of residence or office.

5 ENTITLEMENT TO A SUBSISTENCE AND TRAVEL ALLOWANCE

5.1 A Councillor/Official may claim a daily subsistence allowance as provided in this policy with the understanding that all authorised personal expenses are covered by the subsistence allowance. No further expenses, with the exception of certain business expenses (see 9.1 below), may be claimed.

5.2 The subsistence allowance may be claimed without the Councillor/Official having to furnish proof of expenses, as it is deemed as actual cost in terms of the Income Tax Act (No. 58 of 1962).

5.3 Entertainment of external business associates or contacts or clients or potential investors or potential clients falls outside the scope of the subsistence allowance and will be separately reimbursed (subject to prior approval where applicable). If a Councillor/Official of the municipality has an entertainment allowance, this

entertainment of external business associates or contacts or other parties must be claimed against the entertainment allowance.

5.4 A Councillor/Official of the municipality must claim his or her subsistence allowance, as provided in this policy, before embarking on any official trip. The subsistence allowance must, in order to facilitate its timeous payment, be claimed at least three working days before the planned trip.

5.5 No subsistence allowance will be paid, and no Councillor/Official will be entitled to a subsistence allowance, if the trip or travel is not related to the official business of the municipality.

5.6 All travel on business of the municipality must be approved as such before a Councillor/Official is entitled to a subsistence allowance.

5.7 For the purposes of a subsistence allowance, a Councillor shall mean:

5.7.1 Executive Mayor,

5.7.2 Speaker

5.7.3 Council Whip

5.7.4 Members of the Mayoral Committee,

5.7.5 other Councillors specifically authorised to represent the municipality on a particular occasion

5.8 For the purposes of a subsistence allowance, a Official shall mean:

5.8.1 Municipal Manager

5.8.2 Heads of Departments

5.8.3 any other official specifically authorised to represent the municipality on a particular occasion or who is on official council business

5.8.4 any official who is a member of a recognised professional institution and is granted permission to attend meetings and conferences of such institution.

6 ACCOMMODATION COSTS AND SUBSISTENCE ALLOWANCE

6.1 For purposes of this policy, domestic travel shall mean travel within South Africa, and international travel shall mean travel to any country other than South Africa.

6.2 In the case of both domestic and international travel, the day of departure and the day of return each qualify for a subsistence allowance.

6.3 In the event where an official is unable to make use of the meals provided due to religious convictions the reimbursement for alternative meals shall be dealt with on an ad hoc basis with the authorization of the Municipal Manager or his/her delegated authority

6.4 Travel: domestic: one or more nights spent away from home

6.4.1 Councillor/Official who travel on the business of the municipality, where the business unavoidably entails one or more nights to be spent away from home, may stay in a~~n~~ hotel, motel, guesthouse or bed and breakfast establishment.

6.4.2 The actual cost of accommodation will be borne by the municipality, subject to a maximum of R2 500 per night for the accommodation and breakfast in respect of domestic travel. Where such accommodation is available, the rate for a single room will be payable.

6.4.3 A daily allowance, at the SARS rate, to defray incidental costs only (deemed to have been expended) will be paid to the amount as announced and gazette annually in February by the Minister of Finance, to the recipient where the official business trip is in the Republic of South Africa (domestic travel). Any amount over and above the prescribed amount, if for whatever reason approved by Council, will be taxable.

6.4.4 A daily allowance, at the SARS rate, to defray meals and incidental costs (deemed to have been expended) will be paid in advance to the amount as announced and gazette annually in February by the Minister of Finance, to the recipient where the official business trip is in the Republic of South Africa (domestic travel) and that the Councillor/Official needs to stay overnight for the purpose traveled for. Any amount over and above the prescribed amount, if for whatever reason approved by Council, will be taxable.

6.4.5 If a Councillor/Official travels on the business of the municipality where the business unavoidably entails one or more nights to be spent away from home, and furnish proof of meal expenses other than the actual place of accommodation, a reimbursement subsistence allowance of not more than R120 per lunch and R160 per dinner is payable.

6.4.6 If a Councillor/Official stays with a relative or friend, no accommodation allowance may be claimed, however the Councillor/Official may, in addition to the applicable subsistence allowance, claim a Taxable amount of R200.00 (Two Hundred Rand) per day.

6.4.7 Councillors/Officials would only be allowed to claim for accommodation if the destination is beyond 250 kilometers from the municipal building.

6.4.8 Where it is not necessary to sleep overnight on any travel for municipal business, no accommodation costs will be paid but only incidental costs and/or meals can be claimed for.

6.4.9 In cases where Council's official Travel Agent did not make the reservation, payments of overnight accommodation for Councillor/Official shall be paid directly into the account of the hotel or guesthouse. Requests for reservations and payment must be submitted by the relevant official at least seven days prior to embarking on an official trip to enable the administration sufficient time to process the reservation and payment. This is to avoid unnecessary inconvenience to all parties concerned.

6.4.10 In the event where an official is unable to make use of the meals provided due to religious convictions the reimbursement for alternative meals shall be dealt with on an ad hoc basis with the authorization of the Municipal Manager or his/her delegated authority.

6.5 **Travel: domestic: for a day or part of a day with no overnight stay**

6.5.1 Where it is not necessary to sleep overnight on any travel for municipal business, no accommodation costs will be paid but only incidental costs and/or meals can be claimed for and will only be payable if the Councillor/Official is away from Four(4) hours or more.

6.5.2 A daily allowance, at 25% of the SARS rate for overnight subsistence, to defray meals and incidental costs (deemed to have been expended) will be paid in advance to the amount as announced and gazette annually in February by the Minister of Finance, to the recipient where the official business trip is in the Republic of South Africa (domestic travel) and that the Councillor/Official needs to stay overnight for the purpose traveled for, without furnishing proof of expenses.

6.5.3 If a Councillor/Official travels on the business of the municipality for a day or part of a day, and furnish proof of meal expenses, a reimbursement subsistence allowance of R100 per day or part of a day is payable. No more than R100 shall be payable per day, irrespective of the number of trips undertaken.

6.5.4 Any amount over and above the prescribed amount, if for whatever reason approved by Council, will be taxable.

6.6 Travel: international: one or more nights spent away from home

6.6.1 Any Councillor/Official embarking on an overseas visit must request his/her subsistence allowance not later than 7 (seven) working days before actual date of departure. For consistency, the value of the subsistence will be calculated against an exchange rate obtained from Council's official bankers as listed 5 (Five) working days before the actual departure date indicated on the plane ticket or reservation which must accompany the request for subsistence. This exchange rate will be according to the currency of the specific country to be visited.

6.6.2 Council will reimburse the costs of visas for countries to be visited in accordance with the official visit.

6.6.3 Councillor/Official who travel on the business of the municipality, where the business unavoidably entails one or more nights to be spent away from home, may stay in an hotel, motel, guesthouse or bed and breakfast establishment.

6.6.4 The recoverable cost of accommodation for international travel may not exceed US$350 per day.

6.6.5 A daily allowance, at the SARS rate, to defray incidental costs only (deemed to have been expended) will be paid in advance to the amount as announced and gazette annually in February by the Minister of Finance, to the recipient where the official business trip is in the Republic of South Africa (international travel). Any amount over and above the prescribed amount, if for whatever reason approved by Council, will be taxable.

6.6.6 A daily allowance, at the SARS rate, to defray meals and incidental costs (deemed to have been expended) will be paid in advance to the amount as announced and gazette annually in February by the Minister of Finance, to the recipient where the official business trip is in the Republic of South Africa (domestic travel) and that the Councillor/Official needs to stay overnight for the purpose traveled for. Any amount over and above the prescribed amount, if for whatever reason approved by Council, will be taxable.

6.6.7 In cases where Council's official Travel Agent did not make the reservation, payments of overnight accommodation for Councillor/Official shall be paid directly into the account of the hotel or guesthouse. Requests for reservations and payment must be submitted by the relevant official at least seven days prior to embarking on an official trip to enable the administration sufficient time to process the reservation and payment. This is to avoid unnecessary inconvenience to all parties concerned.

6.6.8 On return from overseas visits the Councillor/Official must submit to the next Council meeting a written report, which may be a collective exercise, regarding the value, experience and benefits achieved. It will be the responsibility of Municipal Manager to forward the report to Council.

7 CAR RENTAL AND OTHER TRAVEL COSTS

7.1 Only category "B" to "E" vehicles may be rented, unless it is more cost-effective to hire a more expensive vehicle (for example, when the number of Councillor/Official involved could justify the hire of a micro-bus).

7.2 Car rental must be approved as part of the travel package before the trip is embarked on. A Councillor/Official who rents a vehicle whilst travelling on the business of the municipality without having received prior authorisation will only

be reimbursed for the cost of the vehicle rental if proof of expenditure can be produced and the ouncillor/Official can demonstrate that vehicle rental was reasonably but unexpectedly necessitated by the circumstances.

7.3 All flights by Councillor/Official of the municipality shall be in economy class, unless another class of travel is specifically authorised by the Municipal Manager.

~~7.3~~7.4 All flights by the Executive Mayor shall be business class

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~~7.4~~7.5 Councillor/Official who prefer to make use of their own personal transport he/she will be reimbursed at the lowest of the rate as indicated in 7.5 below or the cost of a return airplane ticket and the kilometers travelled from his/her normal workplace to the nearest airport.

~~7.5~~7.6 If a Councillor/Official has to utilise his or her personal motor vehicle outside the boundaries demarcated for the municipality he or she will be reimbursed at the rate per kilometre or any other maximum amount prescribed from time to time by the South African Revenue Service. The distance to which the reimbursement applies, must be the shortest distance between the municipality's offices and the location where the official business is to be transacted.

~~7.6~~7.7 In case where Councillor/Official make use of their own personal transport he/she will be reimbursed at the following rates and scenarios for kilometers traveled in respect of official trips on behalf of the Nkangala District Municipality as calculated for the shortest distance from normal residence or place of work to the approved venue and back:

7.7.1 Officials who are in receipt of a fixed transport allowance will be reimbursed by the Department of Transport's Notice: "Tariffs for the use of Motor Transport" as distributed monthly by the Department of Local Government and Housing.

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~~7.6.1 against the official Running Costs Tables of the "AA Rates for Vehicle Operating Costs" for the specific vehicle used;~~

~~7.6.2~~7.7.2 Contract employees (packages includes a provision for fixed transport allowance), e.g. the Municipal Manager (Sect 57 Appointees), Heads of Departments and Contractual to Incumbent employees, where applicable, will be reimbursed at the rate determined for the use of privately-owned vehicles by the Department of Transport's Notice: "Tariffs for the use of Motor Transport" as distributed monthly by the Department of Local Government and Housing.

~~7.6.3~~7.7.3 Councilors will be reimbursed in terms of the Determination of Upper Limits of Councillors as follows, at the rate determined for the use of privately-owned vehicles by the Department of Transport's Notice: "Tariffs for the use of Motor Transport" as distributed monthly by the Department of Local Government and Housing.

~~7.6.4~~7.7.4 Officials that does not receive a fixed travel allowance, (other than mentioned in paragraphs 7.6.1, 7.6.2 and 7.6.3) will be reimbursed at the SARS rate as announced and gazette annually in February by the Minister of Finance.

~~7.7~~7.8 Reimburse travel claims will only be paid in terms of vehicles owned by the Councillor/Official and proof of the ownership, a copy of the purchase invoice clearly indicating the price and capacity of the vehicle was furnished to Council.

~~7.8~~7.9 Prior approval must be acquired for all of the above arrangements.

8 DETERMINATION OF TRANSPORT BEARING POSTS FOR OFFICIALS

8.1 The Municipal Manager

8.2 Section 56 Managers

8.3 Contract employees where packages includes a transport allowance component

8.4 All other officials remunerated in terms of the Bargaining Council collective agreement

8.4.1 When it is agreed with an employee, excluding employees referred to in clause 8.1 to 8.3, to daily utilise private transport for the execution of official duties and such employee regularly travels more than 650 km per month in the process, a monthly transport allowance may be paid in accordance with the total distance, as determined in terms of this Policy, travelled.

8.4.2 The post to which this monthly transport allowance is coupled, is known as a transport allowance bearing post and the payment of a transport allowance is subject to the conditions specified in this Policy.

8.4.3 For the determination of distances with regard to the payment of a transport allowance, the following principles shall apply:

8.4.4 The Municipal Manager will decide whether an employee who qualify must submit a monthly log sheet of official journeys undertaken or whether compensation based a fixed average journey distance per month is to be paid to such employee.

8.4.5 If the Municipal Manager decides in terms of clause 8.4.1 that a fixed monthly transport allowance is to be paid to an employee for the use of private transport in the execution of his/her duties, a provisional monthly official kilometer distance, calculated to the nearest 25 kilometer for such post, shall be determined after submission of a report by the relevant head of department. This report shall serve as the basis of assessment of the provisional monthly official kilometer distance.

8.4.6 For a period of the twelve months after the determination of the provisional monthly official kilometer distance in terms of clause 8.4.5, the incumbent of the specific post must maintain a daily official kilometer distance return (log sheet) of official journeys undertaken as approved by the relevant head of department. After the twelfth month period the distance travelled for official purposes and the result rounded off to the nearest 100 kilometres in order to obtain the annual official kilometer distance in respect of the post.

8.5 Should Council or incumbent of a transport allowance bearing post require a re-determination of the official distance limit attached to his/her post, written notice must be given to the relevant head of department. Seven days after serving such notice, the relevant employee must start maintaining a daily return of all official journeys for a

period of three months, in accordance with the procedure stipulated in clause 23.4.2.3 to re-determine the official distance on which compensation is to be paid to such employee.

8.6 Should an employee not be satisfied with the determination or re-determination of the official distance limit applicable to the transport allowance bearing position occupied by him/her, the employee can request a round table discussion with the Municipal Manager and, in the event of failure to reach an agreement, the employee can pursue the matter further as he/she deems fit.

8.7 The kilometer distance per month that Council determines for a post, excluding those referred to in clause 8.4.1, must be pertinently made known to the employee.

8.8 Travel allowance in acting positions

8.8.1 When an employee who does not occupy a transport allowance bearing post is temporarily appointed by the Municipal Manager to act in the place of an employee who occupies a transport allowance bearing post and such employee utilises his/her private vehicle for the execution of official duties for the period during which he/she so acts, the transport allowance applicable to such transport allowance bearing post shall be paid to such employee for the period he/she acts in the transport allowance bearing post.

8.8.2 Such transport allowance shall be calculated as follows:

$$A = bx\frac{c}{12}x\frac{e}{f}$$

A = transport allowance payable

b = total vehicle ownership cost per kilometer, based on the actual purchase price of the vehicle provided by the employee subject to the provisions of clause 6; and on an annual kilometer distance of 10 000 kilometres;

c = annual kilometer distance as determined in respect of the position in which the employee temporarily acts;

e = number of working days that the employee acts in the temporary position in the calendar month mentioned in f; and

F = number of working days in the calendar month in which the transport allowance is calculated.

8.9 CALCULATION OF TRANSPORT ALLOWANCES

8.10 Basis of compensation

8.11 All transport allowance payments shall be calculated in accordance with the 10 000 km column of the AA Tables for "Estimated average car ownership cost over six years", except where the employment contract of an employee determines a different basis for calculating the compensation due to such employee.

8.12 Transport allowance

8.13 This allowance refers to the amounts payable to incumbents of transport allowance bearing posts who, in accordance with official distance limitations or by using log sheets, submit claims for the actual distance travelled. A running transport allowance is payable monthly and is calculated as follows:

$$A = bx\frac{c}{12}$$

Where

A = the monthly transport allowance;

b = total ownership cost per kilometer; and

c = total annual kilometer distance.

provided that the calculation of the transport allowance is based on vehicles with a maximum cylinder capacity of 2 500 cc and the actual purchase price is limited to

100% of the employee's salary excluding bonus and any allowances.

8.14 The transport allowance for a particular calendar month is, where possible, payable to an employee at the end of the same month.

8.15 In the case of any period of unpaid leave, the monthly transport allowance payable to an employee is reduced on a pro rata basis for such period.

9 SUBSISTENCE AND TRAVEL ALLOWANCES FOR PERSONS INVITED FOR INTERVIEWS

9.1 No subsistence costs will be paid to any candidate invited for an interview, but travelling costs can be reimbursed at the rate per kilometre or any other maximum amount prescribed from time to time by the South African Revenue Service if the candidate has to travel more than 50km to attend the interview.

9.2 When necessary persons invited for interviews should be booked on a flight in economy class. Persons invited for interviews who prefer to make use of their own personal transport he/she will be reimbursed at the lowest of the rate as indicated in 8.1 above or the cost of a return airplane ticket and the kilometers travelled from his/her place of residence to the nearest airport.

10 TOLL GATE FEES, PARKING FEES AND OTHER UNAVOIDABLE EXPENSES

The reimbursement of tollgate fees, parking fees and any unavoidable expenses related to the approved official business travel will be paid on the furnishing of proof of the expenses, on a fortnightly basis.

11 AUTHORISATION

For purposes of implementing this policy:

11.1 Only the Municipal Manager may authorise any travel to be undertaken by Heads of Departments or Unit Managers who reports directly to the Municipal Manager, or payments to be made for persons invited for interviews, but provided the expenses to be incurred are on the approved budget of the relevant department.

11.2 Only Heads of Departments or Unit Managers may authorise any travel to be undertaken by officials who reports to the relevant Head of Department or the Unit Manager, provided the expenses to be incurred are on the approved budget of the relevant department.

11.3 Only the Executive Mayor or his delegate may authorise any travel to be undertaken by the Mayor, Speaker, Council Whip, any Councillor, or the Municipal Manager, but provided the expenses to be incurred are on the approved budget of the municipality.

11.4 The Executive Mayor shall approve his or her own travel on municipal business, provided the expenses to be incurred are on the approved budget of the municipality, and provided further that the Executive Mayor reports to the following council meeting on the nature of and reasons for such travel and the expenses incurred.

11.5 An invitation to attend a workshop, meeting or related event is not an autom atic authorisation to attend such workshop or event. The required authorisation must still be obtained from the Municipal Manager or Executive Mayor, Head of Department or Unit Manager, as the case may be.

11.6 Councilor/Official delegated to attend any conference, workshop, meeting or any other official council business must ensure that they arrive on time and attend until the conclusion of such event. If any Councillor/Official fails to do so, the Executive Mayor or the Municipal Manager, as the case may be, may recover all

allowances and disbursements paid to enable such delegated Councillor/Official to attend such event, provided that such delegated Councillor/Official is afforded the opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event.

12 PAYMENTS OF CLAIMS

12.1 Payment of claims will only be effected on receipt of a completed claim on the prescribed claim form duly authorized in terms of paragraph 10 above.

12.2 Claims will only be considered if a copy of the relevant tax invoice for accommodation is attached to the claim form.

12.3 All claims be paid on a fortnightly basis only

13 LEGAL REQUIREMENTS

13.1 In terms of Section 66 of the Municipal Finance Management Act No. 56 of 2003 the accounting officer of the municipality must report to the council, in the format and for the periods prescribed, all expenses relating to staff salaries, allowances and benefits, separately disclosing (inter alia) travel, subsistence and accommodation allowances paid.

TARIFF POLICY: RENTAL OF FACILITIES (USE OF COUNCIL CHAMBER, PARLOUR, TRAINING ROOM AND COMMITTEE ROOMS)

NKANGALA DISTRICT MUNICIPALITY

TARIFF POLICY: RENTAL OF FACILITIES (USE OF COUNCIL CHAMBER, PARLOUR, TRAINING ROOM AND COMMITTEE ROOMS)

1. **Background**

The District Municipality allows the use of certain facilities, eg. The Council Chamber, Parlour, etc. to third parties on an on-going basis

2. **Objectives of the policy**

The objective of this policy are to:

- Ensure that the rental of council facilities are dealt with in accordance with authorized processes only
- Ensure that the municipality has and maintains an effective system of internal control .

3 **Who may rent facilities?**

The following organizations are allowed to use the Nkangala District Municipality's Council Chamber, Parlour, Training Room and Committee Rooms subject to the conditions contained in this policy:

- National Government Departments
- Provincial Government Departments
- Local Municipalities
- SALGA
- Parastatals
- Non-Governmental Organizations
- Private Institutions

4 **Deposits**

A deposit of R2 000.00 is payable by all non-governmental organizations and private institutions when the booking for the venue is made. Should there be no damage to the venue or equipment and the venue needs no cleaning, the deposit will be refunded.

In the case of any damage to the venue or equipment or in case the venue

needs cleaning after the conclusion of the function, the deposit will be repaid after deduction of any amount necessary to repair the damage, repair or replace the equipment or cleaning of the venue.

The amount to be deducted will be determined by the Municipal Manager or his plenipotentiary whose decisions hall be final and binding. This fee will also be applicable if the venue is used for a period longer than the period of use applied for.

5 **Council Chamber**

A tariff of R120.00 per hour or part thereof for the use of the Council Chamber and facilities are payable in advance. This fee will also be applicable if the venue is used for a period longer than the period of use applied for.

6 **Parlour**

A tariff of R120.00 per hour or part thereof for the use of the Parlour and facilities are payable in advance. This tariff is payable in addition to the tariff payable for the use of the Council Chamber. This fee will also be applicable if the venue is used for a period longer than the period of use applied for.

7 **Training Room**

A tariff of R100.00 per hour or part thereof is payable for the use of the Training Room and facilities. This fee will also be applicable if the venue is used for a period longer than the period of use applied for.

8 **Committee Rooms and any other facilities**

A tariff of R80.00 per hour or part thereof is payable for the use of any Committee Room and facilities. This fee will also be applicable if the venue is used for a period longer than the period of use applied for.

9 **Sunday and public holidays**

If the venue is to be used before 08h00 and/or after 16h00 and on Saturdays, Sundays and Public Holidays, double the normal tariff is payable. This fee will also be applicable if the venue is used for a period longer than

the period of use applied for.

10 Organs of state

The venues are available free of charge during normal office hours for use by a National Government Department, Provincial Government Department, Local Municipality; SALGA and Parastatals.

11 Bona fide Non-Governmental Organisation or registered welfare organisation

The venue is made available free of charge if, in the opinion of the Municipal Manger or his plenipotentiary, the venue is to be used by a bona fide Non-Governmental Organisation or registered welfare organisation; provided that the event to be held is:

- To the benefit of the community; and
- No admission fees are payable

The deposit is still payable in such cases.

12 Letter of undertaking

A letter of undertaking as prescribed must be issued by the person responsible for the use of the venue.

13 Age restrictions

No agreement to use a venue may be entered into with a person under the age of 21 years

14 Cancelation

The Municipal Manager or his plenipotentiary may refuse or cancel any booking for a venue if it is deemed that:

- The proposed use may expose Council to any risk of damage or liability of whatever nature; or
- The proposed use is contrary to the morals of the community; or

- The proposed use may damage the Nkangala District Municipality's image and reputation; or
- The proposed use is limiting the use by other institutions or persons; or
- The proposed venue is to be used by the Nkangala District Municipality itself.

The Nkangala District Municipality is not obliged to furnish any reasons for refusal to make a venue available to any institution.

15 **Restrictions**

No furniture, decorations or equipment in the venue may be taken out of the venue for any purposes whatsoever.

16 No stationery or equipment of whatsoever nature will be supplied by the Nkangala District Municipality. If banners, posters etc are put up during a meeting, such banners posters etc. may not be fixes with nails, or in any manner that may damage the walls etc. Such poster, banners etc. must also be removed at the end of the meeting, failing which a fee will be levied to remove such banners etc.

17 **Use of kitchen**

Use of kitchen must be limited to the Caterers who are rendering services for Nkangala District Municipality and Government Departments only.

18 The Municipal Manager is authorized to allow the use of a venue by an institution without any formalities in his own discretion.

19 **Responsibility of person responsible for renting the facility**

The person responsible for the rental of the venue must visit the venue at least 1 (one) day before the date of the proposed use of the venue in order to complete the checklist prescribed by the Municipal Manger for the use of the venue.

20 The person responsible for the rental of the venue must appoint a specific person to usher the persons who will attend the proposed meeting to the correct venue, ensuring that all safety and prescribed conditions for entering

the offices of the Nkangala District Municipality are complied with at all times.

21 The Municipal Manager or his delegate is authorized to determine any other conditions which may be required or necessary.

BLACKLISTING POLICY

1 JULY 2015

NKANGALA DISTRICT MUNICIPALITY
DC31

1. **DEFINITIONS**

''a*ppeal authority*'' shall mean an independent and impartial person appointed by the accounting officer in terms of section 57 of the supply chain management policy.

''a*pplicant*'' shall mean a department or directorate with the Nkangala District Municipality who lodged the complaint. "*Complainant*" shall have a corresponding meaning.

''a*ward*'' shall mean the acceptance of a bid or proposal.

''*blacklisting/restricting"* shall mean the act of disqualifying a person or an entity from participating in the procurement process of Nkangala District Municipality.

''*blacklisting authority*'' shall mean the person/s or committee/s that have delegated authority to blacklist or restrict a tenderer/supplier/contractor.

"*'blacklisting period''* shall mean the period for which the tenderer is barred from participating in the procuring processes.

''*contract period*'' shall mean the duration of the contract as set out in the contract.

''*delisting*'' shall mean removal of a person/entity, after the period of blacklisting expires.

''*eligibility documents*'' shall mean:

1. <u>Tax clearance and municipal fee declarations</u> and certificates certifying that the bidder has no undisputed commitments for municipal fees due to any municipality or overdue for a period of 30 days or more.

2. <u>Declarations by tenderers certifying the correctness</u> of information and certifying validity of authority to act (Regulation 14 of the Preferential Policy Framework Act 5 of 2000).

3. <u>Certificates declaring details of private or business interests</u> in terms of Regulation 46(e) of the Supply Chain Management Regulations.

4. <u>CIDB certificates</u>, (Construction Industry and Development Board accreditation certificates).

5. <u>Proof of registration of a company, close corporation, co-operative</u> or any other document requiring formal registration.
6. <u>Any partnership agreement or agreement of joint venture</u>, memorandum of articles of a company, association agreement or any other agreement establishing a business entity.

7. Statement setting out details of work undertaken in the government/public sector/organs of state in the past five (5) years, including particulars of persons who assessed the work and who can be contacted to verify completion/non completion of the contract.

8. Audited financial statements where applicable, or books of account.

9. Or any other document prescribed by law or specifically requested by Nkangala District Municipality.

‘‘*executive directors*’ shall mean a person appointed as director directly accountable to the Municipal Manager.

‘‘*fronting*’ shall mean companies with no black economic empowerment (BEE) status illegally claiming to be headed by previously disadvantaged individuals and claim false BEE credentials in order to win tenders contacts.

‘‘*irregular practice*’’ shall include, but not be limited to:

(i) fronting;
(ii) misrepresentation on eligibility documents or application forms or any other returnable document which contains information which will have a material bearing on the award;
(iii) attempt to bribe/bribing an official by monetary or non-monetary inducements or attempt to influence an official directly or indirectly involved with the procurement process, in order to:
   - obtain a tender
   - retain a tender
   - withdraw from a tender
(iv) deliberately omitting information, or misrepresenting information which would have a bearing on the award of a tender;
(v) committing of fraud or extortion in relation to the bidding process;
(vi) obtaining information on the contents of other bids in the same tender which one would not ordinarily be entitled to in terms of the Promotion of Access to Information Act (PAIA) No. 2 of 2000, which information is in the possession and under the control of the municipality;
(vii) collusive tendering;
(viii) restrictive horizontal and vertical practices as defined by the Competition Act;
(ix) committing an exclusionary act as defined by the Competition Act; and
(x) any other activity which is not specifically set out in this definition, but constitutes an unlawful or unfair/improper business practice.

‘’municipality’’ shall mean Nkangala District Municipality or any municipal entities, whichever is applicable.

''*non-performance*'' shall mean default on a contract in the public/-government sector by willfully or negligently:

(i) failing to perform at all;
(ii) failing to complete work timeously without good reason;
(iii) delivering defective performance, i.e. poor workmanship or substandard materials;
(iv) being in breach of a material term of the contract;
(v) failing to achieve a specified participation goal as set out in the tender documents; and
(vi) despite being given written notice to remedy non-performance.

"*director*" shall mean all directors who are responsible for managing the respective votes of the municipality and to whom powers and duties for this purpose have been delegated in terms of section 79 of the Local Government : Municipal Finance Management Act, Act 56 of 2003 and any other senior officials designated by the accounting officer.

2. **INTRODUCTION**

The municipality is committed in terms of its procurement policies to acquire the best goods and services for the Council while also supporting small businesses, local economic development and previously disadvantaged service deliverers.

In order that these objectives are achieved, the standard of the goods and services delivered and the method of doing business must be of an acceptable standard.

This policy shall govern the blacklisting/restricting of defaulters at the following stages:

(i) registration on the municipality's database;
(ii) during the bidding process, i.e. from the advertisement, until the award; and
(iii) after the award of contracts, i.e. during the contract period or roll out.

3. **OBJECTIVES**

3.1 To prevent the municipality from doing business with persons, business, organizations or entities who abuse the supply chain management system by committing a corrupt, fraudulent, unfair or irregular practice/s.

3.2 To prevent the municipality from doing business with individual persons, business, organizations or entities who default on any contract, performance willfully or negligently.

3.3 To develop a uniform criteria and a fair process for barring such persons, tenderers and business entities who engage in 3.1 and/or 3.2 above.

3.4 To discourage persons who are blacklisted from re-entering the procurement arena by setting up new business entities and by using existing business entities to tender for public sphere work, during the blacklisting period.

4. POLICY STATEMENT

A tenderer who is blacklisted by Nkangala District Municipality or who has already been included on the National Treasury's Register of Tender Defaulters shall not be allowed to participate in the bidding for work offered by the municipality during the period of disqualification.

5. APPLICABILITY TO FIRMS / PARTNERSHIPS / INDIVIDUALS

5.1 Any restriction imposed on any business entity by Nkangala District Municipality will, at the discretion of the municipality, also be applicable to any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise.

5.2 Whilst such persons are blacklisted, such persons may re-organize themselves into new entities, however such new entities will be precluded from tendering for work put out to tender by Nkangala District Municipality.

5.3 The onus is on the contractor who is so blacklisted to advise his business associates and/or partners that he has been blacklisted.

5.4 As concerns existing business entities, example holding companies and subsidiaries of which the blacklisted entity/person is a member, shareholder, associate, and the blacklisting committee may at its discretion depending on the level of complicity of the blacklisted person/entity in the current blacklisting application blacklist such entities.

6. GROUNDS FOR BLACKLISTING

6.1 Committing an irregular practice/s as defined above.

6.2 Failing to achieve a specified goal as is stipulated in the tender document in terms of Regulation 15(1) of the Preferential Procurement Regulations.

6.3 Committing of any offence as set out in section 12 and 13 of the Prevention and Combating of Corrupt Activities Act 12 of 2004.

6.4 Persistent non–performance as defined above.

6.5 A conviction in respect of a related criminal activity, by a competent court of law, for which the sentence is a term of imprisonment of not less than six (6) months.

7. PROCEDURES

7.1 Application

7.1.1 The complainant must apply on prescribed forms to be collected from the supply chain unit or any other department duly authorized by the accounting officer.

7.1.2 The application form shall make provision for reasons for the application, which if not stated shall render the application null and void and shall not be considered.

7.1.3 The applicant's application shall be signed by the relevant Executive Director.

7.1.4 In the case of applications for blacklisting pertaining to construction or works, where non-performance is claimed, (excluding failure to achieve specified goals) the application is to be accompanied by proof:

- that the contractor has been advised in writing of his non-performance and had been given an opportunity to remedy the non-performance, a certificate from a consultant registered engineer, or an internal report from a suitably qualified official confirming the non-performance and failure to remedy.

- in addition, a final demand must be issued by accounting officer or any duly authorized official requesting the contractor to perform not later than fourteen (14) days from the date of the notice.

- in the case of applications in respect of contracts other than contracts mentioned above and failure to achieve specified goals a copy of all notices served on the supplier/contractor to perform must be attached to the application.

7.2 Notification

7.2.1 The completed application form shall be lodged with the supply chain management unit or any duly authorized department by the accounting officer.

7.2.2 Supply chain management unit or any duly authorized department shall send out a notification to the person or entity against whom the application is made.

7.2.3 The notice shall be sent by registered post or delivery by hand to the person/entity concerned.

7.2.4 The notice shall set out:

(a) The basis of the claim, together with all supporting documents.

(b) The time period within which the respondent is to respond, by furnishing reasons why he/she/it should not be blacklisted.

(c) The place for the delivery of the response.

7.3 <u>Response</u>

The respondent shall be expected in his response to indicate whether or not he admits or denies the allegations and the reasons for denial, if applicable and why the sanction should not be imposed.

The blacklisting committee shall make its determination based on the application and response. Should either the complainant or the respondent wish to give oral evidence then this must be indicated in writing with the filing of the application and response, respectively.

7.4 <u>Notification of date</u>

7.4.1 The supply chain unit shall upon receipt of the response then advice the respondent and the complainant of a date for consideration of the matter.

7.4.2 This notice shall:

(a) Advise both parties of the date for consideration by the blacklisting committee which shall be a date not less than twenty (20) calendar days from the date of the notice.

(b) The respondent may submit, a statement setting out the basis of any denial and any supporting documents, and should he/she/it wish to present evidence in

person, that he/she/it is to advise so that suitable arrangements may be made.

7.4.3 If the respondent does not respond to the first notice despite proper notification, he/she shall be deemed to have no objection and the blacklisting authority may proceed with the consideration and finalization of the matter.

7.4.4 Any documentation received from the respondent shall be made available to the applicant, who may file a written response thereto. A copy of which shall be made available to the respondent.

7.5 <u>The hearing</u>

7.5.1 The blacklisting authority shall on the basis of application, together with all other papers filed impose an appropriate sanction.

7.5.2 The blacklisting authority shall not be precluded from calling for oral evidence on issues of clarity or dispute of fact.

7.5.3 The blacklisting authority shall allow the respondent to make oral representations where he has exercised the right to do so, in advance.

7.5.4 The blacklisting authority shall make a decision on the facts before it, and issue an order within ten (10) working days after the conclusion of the hearing.

7.6 <u>Notification of decision and order</u>

7.6.1 The supply chain unit or any duly authorized department shall advise the parties of the decision in writing within ten (10) working days of the decision being made, by enclosing in the notice, a copy of the order.

7.6.2 The order shall contain the following information:

(a) The decision.

(b) The effective date of the sanction, the date of the expiration of the sanction and the date of commencement of the tenderer into the public tender arena, which will be the next working day, if the expiry falls on weekend or South African public holiday.

7.6.3 The decision notice shall enclose the order and set out the following:

(a) The reasons for the decision.

(b) The right of appeal against the decision and/or sanction.

7.6.4 The executive committee to receive regular reports as soon as there are incidents of blacklisting.

7.7 Appeal

An appeal against the blacklisting committee's decision shall lie with a competent court of law.

7.8 Effect of the decision

A contractor is restricted from the effective date as set out in the order referred to in 7.5.4. This means that no department within the municipality may award a contract to such person/entity from the effective date to the expiry of the period set out in the order.

8. PUBLICATION

The supply chain unit or any duly authorized department shall advise the National Treasury of the decision of the blacklisting authority within ten (10) working days of any restrictions, period of restriction, reasons and the date of commencement of the restriction that it imposes against the respondent.

The supply chain unit or any duly authorized department shall publicize the findings of the blacklisting authority on its website.

9. UPLIFTING OF SANCTION

9.1 The accounting officer based on good reasons may amend or uplift any restriction which is imposed on the contractor by the blacklisting authority.

9.2 Application for the uplifting of the restriction must be made by the respondent.

9.3 Such reasons for amendment or upliftment must be furnished to National Treasury within ten (10) working days of the amendment or upliftment.

9.4 An application for uplifting may only be made after the respondent has been suspended for at least a year from the effective date of the decision where the sanction is for three (3) or more years.

9.5 Furthermore if an application is refused, the applicant shall be precluded from bringing a further application for a period of six (6) months from such refusal after obtaining a legal opinion on this course of action.

10. **ONUS**

The onus shall rest with the tenderer to ensure that he/she is removed from the defaulters list / Nkangala District Municipality's website once the period of blacklisting has expired.

11. **SANCTIONS**

11.1 If the blacklisting authority is satisfied that there are grounds to blacklist, the blacklisting authority must decide on the blacklisting period based on the merits of each matter. The blacklisting authority shall take into account, inter alias, the following:

1. the seriousness of the offence;
2. previous similar conduct in bidding processes in other municipalities and Nkangala District Local Municipality when imposing the sanction;
3. the hardship/inconvenience that has been occasioned by the tender/contractor's conduct;
4. other remedies which the municipality has/may invoke; and/or ③ the financial logs by the municipality.

11.2 The municipality shall not be precluded from invoking its conventional remedies in law.

12. **COMPOSITION OF BLACKLISTING COMMITTEE AND THE APPOINTMENT OF MEMBERS**

The blacklisting committee shall be established by Nkangala District Municipality to consider applications for the restricting of tenderers and contractors who wish to do business with the municipality / are already doing business with the municipality.

The blacklisting committee shall be appointed by the accounting officer of the municipality, in collaboration with the Council.

12.1 Criteria for appointment

The blacklisting committee must consist of at least the following disciplines:

(i) Executive Directors;
(ii) Assistant Director responsible for supply chain management;
(iii) Director responsible for legal and administration;
(iv) Legal expert;

(v) Any other director as delegated by the Municipal Manager.

Such a committee must consist of at least four (4) directors and a minimum of seven (7) members constituted as follows:

(i) Chairperson

Where possible, the chairperson should be an attorney, with particular experience in law, administrative justice issues and constitutional issues.

(ii) Vice-chairperson

An official on at least director level.

(iii) Members

Cross functional teams consisting of senior officials or advisors may be co-opted on account of their specialized knowledge.

(iv) Secretariat

A departmental official must be made available to act as secretary.

(v) Quorum

There shall be at least four (4) number of persons in attendance for the full duration of the meeting.

A duly convened committee at which a quorum is present shall have all the powers vested in them by this policy.

(vi) Secondment

For the purpose of continuity and not to delay meetings, the accounting officer may also appoint secondi to temporary replace members that are absent from meetings due to illness, leave, etc. The accounting officer will also decide whether or not such secondment will have the same powers than members.

12.2 Duties and powers of the various office bearers

12.2.1 Chairperson

- has a casting vote as well as a deliberate vote;
- retains all his/her rights as a member;
- may adjourn a meeting;

- may rule on points of order which will be final; and
- may withdraw any proposal or other matters under discussion before it is put to the vote; and convene extraordinary committee meetings on request.

The chairperson shall –

- maintain order during a meeting and ensure that business is conducted in an orderly manner;
- before opening a meeting, ensure that it is properly constituted;
- protect the rights of every member;
- vacate his seat to the vice chairperson, should he/she wishes to partake in a discussion in a partial manner;
- regulate participation in discussions;
- deal with items in sequence of the agenda;
- ensure that members know exactly what they are required to vote on;
- ensure that only one member holds the floor at any one time;
- provide guidance by directing the meeting, but shall not dominate;
- conduct meetings in a formal manner; and
- formulate the decisions to be minuted clearly and sign and approve the minutes after they have been verified for correctness.

12.2.2 <u>Vice-chairperson</u>

The vice-chairperson has the same powers and duties as those of members and in addition, where necessary, shall –

- in the absence of the chairperson, preside as chairperson; and
- take the seat of and act as chairperson, should the chairperson wishes to partake in partial discussions.

In the event when both the chairperson and vice chairperson are absent from a meeting, the members present may elect one (1) of their members to preside at such meeting.

12.2.3 <u>Secretary</u>

The secretary shall –

- in conjunction with the chairperson compile an agenda and determine dates of meetings;
- give notice of proposed meetings to committee members;

- process and distribute all submissions/reports together with the agenda to committee members at least three working days before the actual meeting takes place;
- minute all decision taken at meetings;
- adhere strictly to the stipulations of the National Archives of South Africa Act, No.43 of 1996 and accompanying directives;
- ensure that the proceedings at meetings are recorded mechanically;
- give written feedback of all decision taken by the committee;
- be responsible for all the administrative tasks of the Committee; and
- furnish copies of minutes required.

12.2.4 <u>Members</u>

Members of the committee shall –

- be fully conversant with the powers and limitations of the committee as well as all directives pertaining to blacklisting, including the relevant sections of the MSCM Regulations, Preferential Procurement Policy Framework Act and accompanying regulations, all directives and circulars issued by National Treasury as well as the delegated powers issued by the accounting officer and at all times act in accordance with abovementioned legislation, regulations and procedures;
- apply their mind to matters at hand in order to take meaningful and accountable decisions and in the event of doubt or uncertainty, to propose that matters be referred back for clarification;
- in advance, furnish a written apology should he/she not be able to attend a meeting;
- strive to be punctual for meetings and stay for the duration of a meeting;
- prepare properly for each meeting by studying the agenda and submission/reports;
- be familiar with meetings procedures in order to make a contribution in the correct manner; and
- refrain from repetition and duplication of contributions by other members.

Members have the right to –

- have advance knowledge of the agenda;
- submit proposals and participate in proceedings;
- vote; and

- have a dissenting voice, as well as the member's reasons therefore, recorded.

12.2.4 Co-opted members/advisors

Co-opted members/advisors have the same powers and duties as members but excluding the right to vote on any matter under discussion.

13. MEETING PROCEDURES

13.1 Notice of meetings

- The agenda/committee pack of a meeting serves as the programme of the meeting, the agenda/committee pack shall be made available to members at least three working days before the actual meeting.

- To fully consider the committee pack prepared for members in advance.

- To fully understand Nkangala District Municipality's procurement processes and the legislation and policy dealing with municipal procurement.

- To apply themselves with diligence to the matter at hand.

- To pronounce on the matter, having had regard to the merits of the matter, by either restricting the tenderer/contractor and imposing upon him an appropriate sanction, or by dismissing the application.

- To prepare an order duly signed by the committee chair.

13.2 In order to afford members the opportunity to prepare for the meeting, the agenda shall be made available to members at least three working days before the actual meeting.

13.3 Submissions / reports to the committee

All submissions/reports to the committee must be in writing.

13.4 Minutes

13.4.1 The minutes will be the written record reflecting in a brief, clear and impartial manner the decisions of the committee. The signed minutes will serve as proof of the decisions of the committee.

13.4.2 Should a member wish to have a specific matter other than a decision recorded, it must be specifically requested. A member's reasons for dissenting voice must also be recorded.

13.4.3 Proceedings are also recorded mechanically to enable the secretary to prepare verbatim reports when required by a court of law.

13.5 Register

13.5.1 Members shall sign a register at each meeting, serving as attendance register as well as an undertaking to confidentiality of that meeting.

13.5.2 This register will also provide for the declaration of interest. Any interest which may infringe, or might reasonably be deemed to infringe on member's impartiality in any matter relevant to their duties, must be recorded.

13.5.3 Members must declare and record all gifts and invitations accepted to social events received from suppliers in the register.

13.6 Chairperson

13.6.1 Each meeting will be presided over by the chairperson. In the absence of the chairperson, the vice-chairperson will preside as chairperson, in which case he/she will occupy the chair for the whole meeting, even if the chairperson should arrive during the course of the meeting.

13.6.2 Every member attending the meeting owes deference to the chairperson and may be removed if that person does not respect the authority of the chair.

13.7 Point of order

A member may speak on a point of order only if he/she is of the opinion that there has been a departure from the rules of order, example, an objection against improper language used, that a speaker has transgressed, etc.

14. CONDUCT OF OFFICE BEARERS

14.1 Rights and responsibilities of committee members

③ A person as a member of the committee obtains rights as a share in the control of the matter for which the meeting is constituted and

the member may exercise this right by making proposals, voting, etc. a member's conduct at the meeting must however no infringe on the rights of others. A member's conduct at the meeting must however not infringe on the rights of others.

Members must accept that –

- the chairperson must be respected;
- the chairperson has the right to interrupt and ask a member to stop speaking if address is repetitive or irrelevant to the matter under discussion;
- a member must stop speaking if ruled out of order by the chairperson;
- decisions are taken by general consensus or by show of hands when matter is decided upon by voting; and
- once a decision has been taken it is final and not open for discussion unless additional information which was not available at the time of decision making can be produced.

15. **PRESCRIBED FORMS**

Attached as annexures to the blacklisting policy are the prescribed forms which must be used in the blacklisting procedures:

1.	Blacklisting application forms	(Annexure A)
2.	Notification forms:	
2.1	Notice of non-performance	(Annexure B)
2.2	Notice of final demand by accounting officer	(Annexure C)
2.3	Notice of bidder of application to blacklist	(Annexure D)
2.4	Notice of the decision	(Annexure E)
3.	Blacklisting by appeal authority	(Annexure F)

16. **REVIEW**

This policy will be revised annually to ensure it complies with changes in applicable legislation and regulation.

17. **SHORT TITLE**

This policy shall be called the blacklisting policy of the Nkangala District Municipality.

ANNEXURES
BLACKLISTING POLICY

ANNEXURE A
BLACKLISTING APPLICATION FORM

1. **APPLICATION**

1.1 Name of the department and cluster making application

____

1.2 Name of and capacity of official making the statement on behalf of the department

____

1.3 How is the official in 2.2 above involved in this contract/tender on which this application is based?

____

2. **DETAILS OF CONTRACT / TENDER**

2.1 Is the tender/contract for supply of goods/service or a construction/works contract?

goods/services ☐ construction/works ☐ (please indicate with a 'x')

2.2 Name of department which is the owner of the tender/contract and the tender/contract number and description

____

____

2.3 When did the tender/contract commence?

____

2.4 Is the tender/contract complete? If not, at what stage is the contract currently?

____

2.5 If the contract was terminated, when was the contract terminated, for what reasons and by whom was contract terminated?

____

2.6 If the contract has been terminated, the applicant is to attach copies of all notices which have been served on the contractor, placing him in breach/advising of termination and calling on the contractor to perform

____

2.7 What process was followed to remedy the contract/tender? Attach proof of documentation (written letter of non-compliance, final document notices served)?

____

____

3. **REASONS FOR APPLICATION**

3.1 The applicant is to state the basis of this application, and to attach a statement in support of thereof. The statement is to set out in detail all particulars of the basis of the claim, as this will be used as evidence on which the blacklisting committee will make its decision.

3.2 In the case of non-performance, a certificate from a registered engineer (in works contracts), or suitably qualified person (in contracts other than works contracts) confirming the non-performance is to be accompanied by the statement, referred to above.

3.3 All supporting documentation, such as the tender/contract/ performance or progress reports, notices served, other relevant correspondence should be attached to the application.

4. **GENERAL** (to be filled in by all applicants)

4.1 Is the conduct of the tenderer/contractor, an offence?

____

____

4.2 If so, in terms of what legislation. Has a report been made to the South African Police or has municipal prosecution been instituted If yes, state the Case Number/case number. If not, is it likely that a report will be made in the future?

____

4.3 Have any other remedies been invoked against the contractor? Example, penalties or damages claimed. Details to be provided.

____

____

____

4.4 Does the contractor have any other contracts running concurrently with the municipality? Ps state.

____

4.5 Does the applicant wish to make oral representations at the hearing, or can the blacklisting committee make its findings on the statement in 4.1 above?

____

5. **<u>DOMICILLIUM OF RESPONDENT</u>** (Person/s / bidder / contractor against whom this application is made)

If the Domicillium of the respondent is known state the address for the purposes of serving notification in terms of the blacklisting guidelines.

____

Signature of applicant **…………………….............................**

Name of Signatory in Print **..**

Signed at: …………………… **Date of Application**: ………………

NOTICE 1

The name of contractor and details

By Registered Post / Hand Delivery

Date of Notice (this is extremely important)

Sir

NOTICE OF NON-PERFORMANCE / BREACH OF CONTRACT NO: …………

You are hereby notified that you have failed to perform this contract satisfactorily in that you have not ………………………………………………………………….. at all/timeously/according to an acceptable standard (*delete whichever is not applicable).

You are hereby requested to regularize your non-performance/breach within fourteen (14) days from the date of this letter, by doing

____

____

____

failing which the municipality shall have the right to cancel this contract, institute a claim for damages, and invoke any other remedy that the municipality may have in terms of the contract, and in law.

Be further advised that should you fail to remedy the breach above, an application may be made by this department to bar you from tendering for future contracts with the municipality.

Yours faithfully

MUNICIPAL MANAGER

If hand delivered, make provision for signatures of persons receiving

NOTICE 2

Details of Contractor, as in Notice 1

By Registered Post / Hand Delivery

Date (impt*)

Sirs

FINAL NOTIFICATION OF NON-PERFORMANCE / BREACH OF CONTRACT NO. ……….

We refer to notice dated ………………. (date of Notice 1), attach copy for ease of reference).

We have been advised that despite the aforesaid notice, you have failed/refused* (*delete which is not applicable) to comply with the notice.

You are hereby advised that this notification demands, that you perform as set out in the attached notice within the time period stipulated in this notice (state the date, it must be calculated as fourteen (14) calendar days), failing which the department shall despite any remedies the municipality may have set out in the notification dated ……….……. (first notice) make application to blacklist/restrict you from applying for any work within the government sector.

Yours faithfully

MUNICIPAL MANAGER

NOTICE 3

Notification to Contractor

Contractor's details

Date
By Registered Post / Hand Delivery

Sirs

NOTIFICATION OF APPLICATION FOR BLACKLISTING

Kindly take note that an Application has be made against you on ……… date at …… (venue) for the consideration of blacklisting of:

……………………………………………………………… (name of the company)

The basis of the allegations against you are:

____

____

The likely sanction which will be imposed is restricting/blacklisting of the person/entity for a period of not more than ten (10) years.

You are advised that you may oppose this application

You are required to file your objections by no later than ……………………… (date, being not more than fourteen (14) days) from date hereof, failing which it shall be presumed that you have no objections and the application shall be finalized *in absentia.*

Should you wish to give evidence orally, kindly indicate this in your response.

Yours faithfully

<u>MUNICIPAL MANAGER</u>

NOTICE 4

Contractor's details

Date of Notice

Sirs

NOTIFICATION OF THE DECISION OF BLACKLISTING COMMITTEE

You are advised that the Blacklisting Committee at its sitting on ……..….. (date of consideration) made the following decision against ………………… (contractor).

Decision:

____

____

____

____

You are further advised that you are entitled to appeal the decision in a court of law.

Yours faithfully

<u>MUNICIPAL MANAGER</u>

BLACKLISTING ORDER

At its sitting on …………………… the BLACKLISTING COMMITTEE ordered

that ………………………………..……………….. (COMPANY) be blacklisted.

Period of blacklisting:

Effective date : ……………………………..…………………….. Date of expiry :

……………………………………….…………..

Dated at MIDDELBURG this ……….……………………….. 2012.

SIGNED
CHAIRPERSON OF BLACKLISTING COMMITTEE

Dated at Middelburg this ……………….……………….

Nkangala District Municipality application form for restriction/blacklisting of tenderers/contractors

BORROWING POLICY

1 JULY 2015

NKANGALA DISTRICT MUNICIPALITY
DC31

1. **DEFINITIONS**

"*Act*" means the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

"*disclosure statements*" means a statement issued or to be issued by:

- ③ a municipality which intends to incur debt by issuing municipal debt instruments; and
- ③ a person who intends to incur debt by issuing securities backed by municipal debt.

"*financing agreement*" means any loan agreement, lease, instalment, purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time.

"*lender*" means a person who provides debt finance to the municipality.

"*long term debt*" means debt repayable by the municipality over a period exceeding one (1) year.

"*municipal debt*" means:

(a) a monetary liability or obligation on a municipality by:

- ③ a financing agreement, note, debenture, bond or overdraft; and
- ③ the issuance of municipal debt instruments.

(b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

"*security*" means any mechanism intended to secure the interest of a lender or investor and includes any of the mechanisms mentioned.

"*short term debt*" means debt that is repayable over a period not exceeding one (1) year.

2. **INTRODUCTION**

Considering the large demand for municipal infrastructure, borrowing is an important element to obtain additional funding sources to fund the municipal capital programme over the medium term.

The purpose of the policy is to govern the taking up of short-term or long-term debt according to the legislative framework.

3. **OBJECTIVES OF POLICY**

The objectives of the policy are to:

3.1 Enable the municipality to exercise their obligation to ensure sufficient cash resources to implement their capital programme in the most cost effective manner.

3.2 Ensure compliance with the relevant legal and statutory requirements relating to municipal borrowing.

3.3 Manage interest rate and credit risk exposure.

3.4 Maintain debt with specified limits and ensure adequate provision for the repayment of debt.

3.5 To maintain financial sustainability.

4. LEGISLATIVE

The legislative framework governing borrowings are:

4.1 Local Government Municipal Finance Management Act, Act 56 of 2003; and

4.2 Local Government Municipal Regulations and Debt Disclosure, Regulation R492, published under Government Gazette 29966, 15 June 2007.

5. COMPULSORY DISCLOSURES WHEN INCURRING MUNICIPAL DEBT

5.1 When entering into discussions with a prospective lender with a view to incur municipal debt, the municipality must indicate in writing to the prospective lender whether it intends to incur short-term or long-term debt.

5.2 In the case of short-term debt it must be disclosed whether the debt is to bridge:

(a) shortfalls within a financial year during which the debt is incurred, in expectation or specific and realistic anticipated revenue to be received with that financial year; or

(b) capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocation or long-term debt commitments.

5.3 In the case of long-term debt, whether the purposes of the debt is for:

(a) capital expenditure on property, plant or equipment to be used for the purpose of achieving the objectives of local government, subject to section 46(4) of the Act.

(b) refinancing of existing long-term debt, subject to section 46(5) of the Act.

6. **PROCESS**

The process as required by the Act is as follows:

Short-term debt

6.1 A municipality may incur short-term debt only if:

(a) a resolution of the municipal council, signed by the executive mayor, has approved the debt agreement; and

(b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.

6.2 A short term debt transaction may be:

(a) approve individually; or

(b) approve an agreement with a lender for short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that:

(i) the credit limit must be specified in the resolution of the council;
(ii) in terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and

(iii) if the council approves a credit facility that is limited to emergency use, the accounting officer must notify the council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.

6.3 A municipality:

(a) must pay off short-term debt within the financial year; and

(b) may not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

6.4 No lender may willfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection 6.3(a).

6.5 If a lender willfully extends credit to a municipality in contravention of paragraph 6.4, the municipality is not bound to repay the loan or interest on the loan.

6.6 Subsection 6.5 does not apply if the lender:

a) relied in good faith on written representations of the municipality as to the purpose of the borrowing; and

b) did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

Long-term debt

6.7 A municipality may incur long-term debt only if:

(a) a resolution of the municipal council, signed by the executive mayor, has approved the debt agreement; and

(b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.

6.8 A municipality may incur long-term debt only if the accounting officer of the municipality:

(a) has, in accordance with section 21A of the Municipal Systems Act:

(i) at least twenty one (21) days prior to the meeting the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and

(ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and

(b) has submitted a copy of the information statement to the municipal council at least twenty one (21) days prior to the meeting of the council, together with particulars of:

(i) the essential repayment terms, including the anticipated debt repayment schedule; and

(ii) the anticipated total cost in connection with such debt over the repayment period.

6.9 Capital expenditure contemplated in 5.3(a) may include:

(a) financing costs, including:

(i) capitalized interest for a reasonable initial period;
(ii) costs associated with security arrangements in accordance with section 48 of the Act;
(iii) discounts and fees in connection with the financing;
(iv) fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and
(v) costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing.

(b) costs of professional services directly related to the capital expenditure; and

(c) such other costs as may be prescribed.

6.10 A municipality may borrow money for the purpose of refinancing existing long-term debt, provided that:

(a) the existing long-term debt was lawfully incurred;

(b) the refinancing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;

(c) the net present value of projected future payments (including principal and interest payments) after refinancing is less than the net present value of projected future payments before refinancing; and

(d) the discount rate used in projecting net present value referred to in paragraph (c), and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

6.11 A municipality's long-term debt must be consistent with its capital budget referred to in section 17(2) of the Act.

7. CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT

7.1 A municipality may incur debt only if:

(a) the debt is denominated in rand and is not indexed to, or affected by fluctuations in the value of the rand against any foreign currency; and

(b) section 48(3) of the Act has been complied with, if security is to be provided by the municipality.

8. SECURITIES

8.1 A municipality may by resolution of its council provide security for:

(a) any of its debt obligations; and

(b) contractual obligations of the municipality undertaken in connection with capital expenditure by the persons on property, plant or equipment to be used by the municipality or such other person for the purpose of achieving the objectives of local government in terms of section 152 of the Constitution.

8.2 Appropriate security is contemplated in section 48(2) of the Act.

8.3 Other additional conditions to be complied with are contemplated in section 48(3) to (5) of the Act.

9. DISCLOSURE

9.1 Any person involved in the borrowing of money by a municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor:

(a) disclose all information in that person's possession or within that person's knowledge that may be material to the decision of that prospective lender or investor; and

(b) take reasonable care to ensure the accuracy of any information disclosed.

9.2 A lender or investor may rely on written representations of the municipality signed by the accounting officer, if the lender or investor did not know and had no reason to believe that those representations were false or misleading.

10. **GUARANTEES**

10.1 A municipality may not issue any guarantee for any commitment or debt of any organ of state or person, except on the following condition:

(a) the guarantee must be within limits specified in the municipality's approved budget.

10.2 Neither the national nor a provincial government may guarantee the debt of a municipality except to the extent that chapter 8 of the Public Finance Management Act provides for such guarantees.

11. **SUBMISSION OF DOCUMENTS**

11.1 When entering into discussion with a prospective lender with a view to incur short-term or long-term debt, the following information must be made available to the prospective lender.

(a) audited financial statements for the preceding three (3) financial years with audited outcomes;

(b) approved annual budget;

(c) the municipal integrated development plan;

(d) repayment schedules pertaining to existing short-term or long-term debt.

12. **NOTIFICATION TO NATIONAL TREASURY**

12.1 The following information must be provided to National Treasury with respect to a long-term debt proposal:

	Details	MFMA
(a)	A copy of the information statement required by section 46(3), containing particulars of the proposed borrowing (debt) instrument: 1. the name of the municipality; 2. where the municipality is located; 3. particulars of the proposed debt; 4. amount of proposed debt; 5. purposes for which the debt is to be incurred; and 6. particulars of any security to be provided.	46(3)(a)(i)
(b)	If not already incorporated in the information statement, the following information is provided separately: 1. amount of debt to be raised through borrowing or other means; 2. issue date;	46(3)(b)(i) and (ii)

3. purposes for which the borrowing (debt) is to be incurred;
4. interest rate(s) applicable (state whether fixed or variable etc.);
5. planned start and end date (term of instrument);

Details **MFMA**

- detailed repayment schedule for the duration 46(3)(b)(i) and (ii) of the borrowing (debt) (showing dates and all payments of principal and interest etc.);
- final maturity date;
- total estimated cost of the borrowing (debt) over the repayment period;
- type of instrument;
- debt amortization terms;
- security to be provided and provide details; and
- source of loan funds.

(c) A schedule of consultation undertaken, including: 46(3)(a)(i), (ii)

1. date(s) when the information statement was made public; and
2. details of meetings, media adverts and other methods used to consult on the proposed long-term borrowing (debt);

(d) A copy of the approved budget and relevant 46(6) documentation supporting the budget, highlighting 17(2) the asset(s) to be funded by the proposed 19 borrowing (debt) and the revenue to be received. It must be demonstrated that the proposed borrowing (debt) is consistent with the IDP, the capital budget and the revenue is shown accordingly.

(e) If the borrowing (debt) is for the purpose of 46(5) refinancing existing long-term borrowing (debt), the following information must be provided:

1. description of the asset(s) for which the original loan was required;
2. the useful remaining life of the asset(s)
3. the net present value of the asset(s), including the discount rate used and any assumptions in the calculations;
4. the net present value of projected future payment <u>before</u> refinancing, including the discount rate and assumptions used; and
5. the net present value of projected future payments <u>after</u> refinancing, including the discount rate and assumptions used.

Details **MFMA**

(f) A copy of the council/board of directors' resolution approving the borrowing (debt) instrument should be forwarded to National and relevant provincial Treasury once approved.

13. FINANCIAL AFFAIRS OF THE MUNICIPALITY

13.1 The following information concerning the financial situation and financial management of the municipality must be disclosed:

(a) schedule of all long-term debt obligations stating principal and interest payments for the life of all loans and any security provided to secure such debt;

(b) the amount of any short-term debt outstanding;

(c) the revenue of the municipality for the preceding three (3) financial years stated separately:

(i) government grants and public donations;
(ii) revenue from rates and service charges; and
(iii) other revenue sources

(d) what source of funding will be used to repay the loan;

(e) details of any default by the municipality on outstanding or repaid debt during the preceding three (3) years;

(f) the reserves of the municipality;

(g) a summary of financial policies and practices; and

(h) the latest credit rating obtained.

14. INTEREST RATE RISK

14.1 As a general principle when interest rates are expected to decrease, it is advisable that a floating rate be negotiated in order to take advantage of the lower interest rates in future. If interest rates are expected to increase, it is advisable to obtain a fixed rate so that the benefits of the current low interest rate are maintained.

14.2 The interest risk must be limited in so far as possible. The policy directive is to negotiate fixed interest rates for all long-term borrowings. This will ensure stability of the repayments and reduce the risk for high rates and tariff increases as a result of interest rate hikes in the market.

14.3 Variable rates should be considered for short-term debt only.

15. **<u>LIMITATIONS</u>**

To ensure a financial viable municipality the following ratios are used to determine the municipal gearing ability to borrow:

1. long-term credit rating of BBB;
2. interest cost to total expenditure to not exceed 8%;
3. long-term debt to revenue (excluding grants) not be exceed 50%;
4. payment rate mature above 95%; and
5. percentage of capital charges to operating expenditure less than 18%.

16. **<u>REVIEW</u>**

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

17. **<u>SHORT TITLE</u>**

This policy shall be called the Borrowing Policy of the Nkanagala District Municipality.

Nkangala District Municipality

Budget Policy

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DEFINITIONS

"Accounting Officer"
(a) means the Municpal Manager;

"Allocation", means
(a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
(b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
(c) an allocation of money to a municipality in terms of a provincial budget; or
(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"Annual Division of Revenue Act" means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

"Approved budget," means an annual budget
(a) approved by a municipal council in terms of section 24 of the MFMA, or
(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including
(a) a tariffs policy, which a municipality must adopt in terms of section 74 of the Municipal Systems Act;
(b) a rates policy which a municipality must adopt in terms of section 3 of the municipal property rates Act;
(c) a credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
(d) a cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;
(e) a borrowing policy which must comply with Chapter 6 of the Act;
(f) a funding and reserves policy;
(g) a policy related to the long-term financial plan;
(h) a supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;
(i) any policies dealing with the management and disposal of assets;
(j) any policies dealing with infrastructure investment and capital projects, including –
    (i) the policy governing the planning and approval of capital projects; and
    (ii) the policy on developer contributions for property developments;
(k) an indigents policy of the municipality;
(l) any policies related to the provision of free basic services;

(m) any policies related to budget implementation and monitoring including –
  (i) a policy dealing with the shifting of funds within votes;
  (ii) a policy dealing with unforeseen and unavoidable expenditure; and
  (iii) policies dealing with management and oversight;
(n) any policies related to the managing electricity and water including -
  (i) a policy related to the management of losses; and
  (ii) a policy to promote conservation and efficiency;
(o) any polices related to personnel including polices on overtime, vacancies and temporary staff;
(p) any policies dealing with municipal entities, including –
(i) the service delivery agreement; and
(ii) the dividend preference of the municipality; and
(q) any other budget-related or financial management policies of the municipality.

"**Budget Year**" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

"**Chief financial officer**" means a person designated in terms of section 80(2) (a) of the MFMA;

"**Councilor**" means a member of a municipal council;

"**creditor**", means a person to whom money is owed by the municipality;

"**current year**" means the financial year, which has already commenced, but not yet ended;

"**delegation**", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"**financial recovery plan**" means a plan prepared in terms of section 141 of the MFMA

"**financial statements**", means statements consisting of at least
(a) a statement of financial position;
(b) a statement of financial performance;
(c) a cash-flow statement;
(d) any other statements that may be prescribed; and
(e) any notes to these statements;

"**financial year**" means a twelve months period commencing on 1 July and ending on 30 June each year

"**financing agreement**" includes any loan agreement, lease, and installment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"**fruitless and wasteful expenditure**" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"**irregular expenditure**", means

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in Accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not In accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

"**investment**", in relation to funds of a municipality, means

(a) the placing on deposit of funds of a municipality with a financial institution; or
(b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"**lender**", means a person who provides debt finance to a municipality;

"**local community**" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"**Municipal Structures Act**" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"**Municipal Systems Act**" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"**long-term debt**" means debt repayable over a period exceeding one year;

"**executive mayor**" means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"**municipal council**" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"**municipal debt instrument**" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

"**municipal entity**" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"**municipality**"
(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"**accounting officer**" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"**municipal service**" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"**municipal tariff**" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"**municipal tax**" means property rates or other taxes, levies or duties that a municipality may impose;

"**National Treasury**" means the National Treasury established by section 5 of the Public Finance Management Act;

"**official**", means
(a) an employee of a municipality or municipal entity;
(b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
(c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"**overspending**"
(a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
(b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
(c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"**past financial year**" means the financial year preceding the current year;

"**quarter**" means any of the following periods in a financial year:
(a) 1 July to 30 September;
(b) 1 October to 31 December;
(c) 1 January to 31 March; or
(d) 1 April to 30 June;

"**service delivery and budget implementation plan**" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate

(a) projections for each month of-
    (i) revenue to be collected, by source; and
    (ii) operational and capital expenditure, by vote;
(b) service delivery targets and performance indicators for each quarter; and
(c) any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

"**short-term debt**" means debt repayable over a period not exceeding one year;

"**standards of generally recognised accounting practice**", means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"**unauthorised expenditure"**, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes

(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with the MFMA;

"**virement"** means transfer of funds between functions / votes

"**vote**" means

(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.

2. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to the Nkangala District Municipality's IDP review and budget processes.

3. BUDGETING PRINCIPLES

- The municipality shall not budget for a cash deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- The municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) that would be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

4. BUDGET PREPARATION PROCESS

4.1. Formulation of the budget

(a) The Accounting Officer with the assistance of the Chief Financial Officer, Deputy Manager IDP and the Assistant Manager Performance Management shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.

(b) The executive mayor shall table the IDP process plan as well as the budget timetable to Council not later than 31 August of each year for approval (10 months before the start of the next budget year).

(c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act, Municipal Budget and reporting regulations as well as the guidelines set by National Treasury.

(d) The Executive Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The executive mayor shall table the IDP priorities with the draft budget to Council.

(e) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March of each year (90 days before the start of the new budget year) together with the draft resolutions and budget related policies.

(f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.

(g) The budget must be in the prescribed format by National Treasury, and must be divided into capital and operating budget.

(h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.

(i) The expenses reflected in the budget must be divided into items.

(j) The budget must contain the information related to the two financial years following the financial year to which the budget relates, as well as the estimated revenues and expenses for the current year and the two prior year actual revenue and expenditures.

4.2. Public participation process

Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

4.3. Approval of the budget

(a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).

(b) The council resolution, must contain budget related policies and performance measures to be adopted.

(c) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.

(d) The budget tabled to Council for approval shall include the following supporting documents:

   i. draft resolutions approving the budget;
   ii. and levying property rates, other taxes and tariffs for the financial year concerned;

iii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
iv. the projected cash flows for the financial year by revenue sources and expenditure votes;
v. any proposed amendments to the IDP;
vi. any proposed amendments to the budget-related policies;
vii. the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers;
viii. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
ix. particulars of the municipality's investments; and
x. various information in regard to municipal entities under the shared or sole control of the municipality

4.4. Publication of the budget

(a) Within 14 days after the draft annual budget has been tabled, the Director must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public.
(b) The Chief Financial Officer must within 14 days after the draft annual budget is tabled:
  (i) submit the approved budget in both printed and electronic formats to the National Treasury,
  the Provincial Treasury as well as post it on the municipal website.
  (ii) ensure that a newspaper advertisement is placed that the draft budget is available at the Municipal offices and available for comments.

4.5. Service Delivery and Budget Implementation Plan (SDBIP)

(a) The Executive mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
(b) The SDBIP shall include the following components:
  (i) Monthly projections of revenue to be collected for each source
  (ii) Monthly projections of expenditure (operating and capital) and revenue for each vote
  (iii) Quarterly projections of service delivery targets and performance indicators for each vote
  (iv) Ward information for expenditure and service delivery
  (v) Detailed capital works plan broken down by ward over three years

5. CAPITAL BUDGET

(a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and has a useful life in excess of one year.

(b) The capital budget shall distinguish between replacement and new assets.

(c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

(d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

(e) Before approving a capital project, the Council must consider:

- (i) the projected cost of the project over all the ensuing financial years until the project becomes operational,
- (ii) future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).

(f) Before approving the capital budget, the council shall consider:

(i) the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,

- (ii) depreciation of fixed assets,
- (iii) maintenance of fixed assets, and
- (iv) any other ordinary operational expenses associated with any item on such capital budget.

(g) Council shall approve the annual or adjustment capital budget only if it has been properly cash funded.

(h) The capital expenditure shall be funded from the following sources:

(i) Revenue or Surplus

- • If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure.
- • If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

(ii) External loans

- • External loans can be raised only if it is linked to the financing of an asset;
- • A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- • The loan redemption period should not exceed the estimated life span of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- • Interest payable on external loans shall be included as a cost in the operating budget;
- • Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

Capital Replacement Reserve (CRR)

- Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets.

- Such reserve shall be established from the following sources of revenue:

  - cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
  - interest on the investments of the CRR, appropriated in terms of the investments policy;
  - additional amounts appropriated as contributions in each annual or adjustments budget; and
  - interact on investments of un-utilised grants;
  - only VAT claimed back on grants and subsidies; and
  - Sale of land and profit or loss on the sale of assets.

- Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
- If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;

- Transfers to the CRR must be budgeted for in the cash budget

Grant Funding

- Non capital expenditure funded from grants
  - must be budgeted for as part of the revenue budget;
  - Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
  - Capital expenditure must be budgeted for in the capital budget;
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.
- All unutilized grants received must be ring fenced and cash backed by means of an investment.

6. OPERATING BUDGET

(a) The municipality shall budget in each annual and adjustments budget for the contribution to:

(i) provision for accrued leave entitlements equal to 100% of the accrued leave

(ii) entitlement of officials as at 30 June of each financial year,

(iii) provision for the impairment of debtors taking into account prior year, current year improvements and future improvement in debt collection percentages.

(iv) provision for the obsolescence and deterioration of stock in accordance with its stores management policy

(v) Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.

(vi) At least 5% of the operating budget component of each annual and adjustments ` budget shall be set aside for maintenance.

(b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.

(c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

(d) The operating budget shall reflect the impact of the capital component on:

- depreciation charges
- repairs and maintenance expenses
- interest payable on external borrowings.
- other operating expenses.

(e) The chief financial officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

(a) The budget may be financed only from:

(i) realistically expected revenues, based on current and previous collection levels;

(ii) cash-backed funds available from previous surpluses where such funds are not required for other purposes; and

(iii) borrowed funds in respect of the capital budget only.

8. UNSPENT FUNDS / ROLL OVER OF BUDGET

(a) The appropriation of capital funding in an annual or adjustments budget, will not lapse to the extent that they are unspent by the end of the relevant budget year, except if such funds are motivated in writing, to serve as an item, by the relevant departmental/unit manager to the Budget Steering Committee, and approved by the committee as such.

(b) The appropriation of operating funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, except if such funds are motivated in writing, to serve as an item, by the relevant departmental/unit manager to the Budget Steering Committee, and approved by the committee as such.

(c) Only unspent grants (if the conditions set by National Treasury had been adhered to for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year

(d) Conditions of the grant fund shall be taken into account in applying for such roll over of funds

(e) Application for roll over of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May.

(f) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made at least 30 days (31 May each year) prior the end of that particular financial year.

(g) No unspent budget for administrative operations shall be rolled over to the next budget year

9. BUDGET TRANSFERS AND VIREMENTS

Budget transfers and Virement are dealt with in terms of the councils Budget Virement Policy.

10. ADJUSTMENT BUDGET

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

(a) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.

(b) Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and reporting regulations section 23.

(c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

(d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council.

(e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.

(f) An adjustments budget must contain all of the following:
   (i) an explanation of how the adjustments affect the approved annual budget;
   (ii) appropriate motivations for material adjustments; and
   (iii) an explanation of the impact of any increased spending on the current and future annual budgets.

(g) Any inappropriate surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.

(h) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

(i) Unauthorised expenses may be authorised in an adjustments budget.

(j) In regard to unforeseen and unavoidable expenditure, the following apply:

(i) the Executive mayor may authorise such expenses in an emergency or other exceptional circumstances in terms of Section 29 of the MFMA;

(ii) the authorized amount may not exceed 4 % of the approved own revenue included in the annual budget in respect of such unforeseen and unavoidable expenses;

(iii) these expenses must be reported by the Executive mayor to the next Council meeting;

(iv) the expenses must be appropriated in an adjustments budget; and

(v) Council must pass the adjustments budget within sixty days after the expenses were incurred.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

(a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

(b) The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive mayor for consideration and tabling to Council.

(c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 Monthly budget statements

(a) The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Executive mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

(i) actual revenues per source, compared with budgeted revenues;
(ii) actual expenses per vote, compared with budgeted expenses;
(iii) actual capital expenditure per vote, compared with budgeted expenses;

(iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
(v) the amount of allocations received, compared with the budgeted amount;
(vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
(vii) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
(viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
(ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

(b) The report to the National Treasury must be both in electronic format and in a signed written document.

11.2.2 Quarterly Reports

(a) The Executive mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

11.2.3 Mid-year budget and performance assessment

(a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
(b) The Accounting officer must then submit a report on such assessment to the Executive mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
(c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

12. CONCLUSION

The Assistant Manager Information Technology must place on the municipality's official website the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the integrated development plan
- the annual report;
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;
- all quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.

NKANGALA DISTRICT MUNICIPALITY

CASH MANAGEMENT
&
INVESTMENT POLICY

Improved quality of life through balanced, sustainable development and service excellence

CONTENTS

1. PREAMBLE

The Municipal Finance Management Act requires the municipality to establish an appropriate and effective cash management and investment policy.

In establishing the above policy the guidelines as contained in the Local Government Financial best practices manual produced by the South African Local Government Association (SALGA), the regulations issued by National Treasury, has been taken into consideration.

2. OBJECTIVES

The Council is the trustee of public funds which it collects and therefore has an obligation to ensure that the municipality's cash resources are managed in an effective, efficient and transparent manner.

The cash management and investment policy of the Nkangala District Municipality is aimed at gaining the optimal return on investments without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The policy further aims to lay down broad investment parameters for use by those responsible for the placing of investments.

3. EFFECTIVE CASH MANAGEMENT

a. Cash/Revenue collection

All monies due to the municipality must be collected as soon as possible but not later than the due date, thereafter Council's credit control policy procedures must be effected. Monies received on behalf of Council must be banked once a week unless the cash amount exceeds R5000.00 (Five Thousand Rand), which must be banked the following working day. All monies owed to the Council shall be raised by way of a debit in the Council's debtors system.

b. Creditors payments

The Manager: Finance/Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers of goods and services and not settle any amount earlier than such extended due date except if the Manager: Finance/Chief Financial Officer is of the view that there are financial incentives to do so.

Payments to creditors on projects shall be processed within a minimum of 14 days and a maximum of 30 days after receipt of a correct original signed tax invoice.

Notwithstanding the policy directives mentioned above payment to creditors shall be done in accordance with the Council's supply chain policy.

c. Cash management programme

The Manager: Finance/Chief Financial Officer shall prepare an annual estimate of the municipality's cash flow divided into calendar months and shall update the estimate on a monthly basis.

The Manager: Finance/ Chief Financial Officer shall together with the monthly budget statement submit a report on the cash management programme to the Executive Mayor and Council.

4. INVESTMENT ETHICS

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The Manager: Finance/Chief Financial Officer shall be responsible for investing surplus funds of the municipality and shall manage such investments in consultation with the Municipal Manager in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance.

In making such investments the Chief Financial Officer, shall at all times have only the best considerations of the municipality in mind, and, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties. Neither the Chief Financial Officer nor his nominee may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any part with which the municipality has made or may potentially make an investment.

5. INVESTMENT PRINCIPLES

a. Exposure to financial institutions

Where large sums of money are available for investment the Chief Financial Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. Any investment made with an institution shall not exceed ~~25~~30% of the Council's investment portfolio. The Chief Financial Officer shall further ensure that, as far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

b. Risk and return

Although the objective of the Chief Financial Officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions. The Chief

Financial Officer shall not invest Council's funds with any financial institutions with a credit rating that is less than A+ both in short and long term.

c. Payment of commission

Every financial institution with which the municipality makes an investment must issue a certificate to the Chief Financial Officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

6. CALL DEPOSITS AND FIXED DEPOSITS

Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three financial institutions.

Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail, or any other expedient means).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent of third party. Once the investment has been made, the Chief Financial Officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality. The decision to invest the funds shall be made by the Municipal Manager or the Chief Financial Officer.

7. CONTROL OVER INVESTMENTS

The Chief Financial Officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The Chief Financial Officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received. Should the money not be needed for immediate operational use the Chief Financial Officer may re-invest the money with the same institution.

The Chief Financial Officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.

8. BANKING ARRANGEMENTS

The Municipal Manager is responsible for the management of the municipality's bank accounts, but may delegate this function to the Chief Financial Officer. The Municipal Manager and Chief Financial Officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The Municipal Manager, in consultation with the Chief Financial Officer, is authorised to appoint two or more additional signatories in respect of such account, and to amend such appointments from time to time.

In compliance with the requirements of good governance, the Municipal Manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following: the administration of the external finance fund. One or more separate accounts may also be maintained if so required for the following: capital receipts in the form of grants, donations or contributions from whatever source and trust funds.

9. RAISING OF LONG TERM DEBTORS

The Municipal Manager is responsible for the raising of debt, but may delegate this function to the Chief Financial Officer, who shall then manage this responsibility in consultation with the Municipal Manager. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the Council.

Long term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

10. ACCOUNTING TREATMENT OF INTEREST EARNED ON INVESTMENTS

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund, or account in respect of which such investment was made.

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NKANGALA DISTRICT MUNICIPALITY

DRAFT CELLULAR PHONE AND TECHNOLOGY POLICY

DRAFT CELLULAR PHONE AND MOBILE TECHNOLOGY POLICY

1. OBJECTIVE

1.1 To regulate and monitor expenditure by the municipal Council on cellular phones mobile technology devices for Councillors and municipal employee who are eligible for allowance / benefit.

1.2 To empower the Municipal Manager to extend the benefit to other employee other than those referred to in the policy on the basis of a motivation by a Head of Department / unit occasioned by the nature of Operations or duties performed by such an employee.

2. PRINCIPLES

2.1 The employees who by virtue of their duties the Municipality procured them cellular phones prior to the amendment of the Standing Resolution NKDM 49/04/2003 on the usage cellular phones continue to enjoy the benefit.

2.2 The Municipal Council in extending the benefit to other employees shall not be required or expected to purchase or enter into a contract with any mobile technology service provider in procuring a mobile technology device (s) on behalf of an employee.

2.3 Each councillor and employee shall be responsible to purchase a cellular phone requested for carrying out his or her duties upon which the municipality will pay on monthly basis an allowance as determined in table 1 below. However, in the case of mobile data cards, these will be procured by the municipality through funding of (proposed) allocation reflected in the said table.

2.4 Councillors and employees are required to be accessible to municipality at all times to communicate official business matters.

2.5 It is also expected and required that the benefit expended to councillors and employees should not be misused.

3. Definitions

"allowance" means a monthly payment to councillors and identified employees of cellular phone and mobile data card allowance determined in terms of Remuneration of Office Bearers Act, 1998 (Act No. 20 of 1998); the Municipality Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006; and municipality HR Standing Resolutions / Policy.

"council" means Nkangala District Municipality

"employee" means municipal officials employed by Nkangala District Municipality regardless of a nature or conditions of their employment contract.

"employer" means municipal council of Nkangala District Municipality

"legislative framework" means Acts of Parliament, Regulations, Standing Operating Procedures, Procedure Manuals, Collective Agreements and Municipal Policies.

"management" means a manager at all levels employed by the municipality

"mobile technology" means any communication technology device such as cellular phones, mobile data card (3G), etc.

"senior manager" means managers employed in terms of Section 54 of Section 56 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), as amended.

4. Determination of Upper Limits for Cellular phones and mobile data cards (3Gs)

Table 1: determination of Upper Limits for Cellular Phones and Mobile Data Cards Usage

POST / POST TITLE	PACKAGE	SMS BUNDLES	LIMITS		
			Cellular phone	* MOBILE DATA CARD	TOTAL
Executive Mayor	Talk 1000	200	R 3319.00	R 300.00	R 3619.00
Speaker, Council Whip	Talk 500	200	R 2000.00	R 300.00	R 2300.00
Members of Mayoral Committee, Chairpersons of Section 79 Committees and direct elected councillors	Talk 500	200	R 1656.00	R 300.00	R 1956.00
Municipal Manager	Talk 1000	200	R 3000.00	R 300.00	R 3300.00
Managers (Head of Departments)	Talk 1000	200	R 2000.00	R 300.00	R 2300.00
Deputy Manager	Talk 500	200	R 1600.00	R 300.00	R 1900.00
Assistant Managers	Talk 500	200	R1600.00	R 300.00	R 1900.00
(Authorised) Employees at post Level 4,5,6 &7	Talk 200	200	R1100.00	R 300.00	R 1300.00
Authorises Employees below Post	Talk 200	200	R 1100.00	-	R 1100.00

5. Adjustment of Upper Limits for Cellular Phone and Mobile Data Cards

5.1 The Upper Limits as reflected in Table 1 above particularly for councillors and senior managers will be reviewed / revised annually and adjusted in terms of Determination of Upper Limits of Salaries, Allowance and Benefits of Councillors and Guideline Framework for determining cost of living for Senior Managers, respectively.

5.2 The Municipal Manager as the head of administration is authorised to review / revise in a very objective, fair, economically, effectively and efficiently the adjustments of the allowance to any other employee and or group employees based on the request / motivation by the relevant head of department / unit.

6. **Effective Date**

6.1 The effective date for implementation of the Draft Polity on Cellular Phone and Mobile Technology will be 01 February 2014 in respect of the Municipal employees and 01 July 2012 in respect of councillors in accordance with the implementation date of the Determination of Upper Limits of Salaries Allowances and Benefits of Councillors.

6.2 In future, the implementation of adjustment to the upper limits as reflected in Table 1 above will be aligned to the start date of a municipal financial year, that is 1 July of each year and in the case of councillors and senior managers it will be due to late receipt of the Government Notice and Guideline Framework for determining cost of living for senior managers.

NKANGALA DISTRICT MUNICIPALITY

POLICY AND PROCEDURES FOR THE

DISPOSAL OF MOVABLE ASSETS NOT OF HIGH VALUE

1 JULY 2015

CONTENTS

DEFINITIONS

In this policy, unless the context indicates otherwise,

"*asset*" will mean any movable resource, not of *high value*, controlled by the Municipality, from which the Municipality expects to derive economic benefits or use for service delivery to the general public over a period extending beyond one financial year.

"*basic municipal service*" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

"*carrying amount*" is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

"*Council*" means the Municipal Council of the Nkangala District Municipality, its legal successors in title and its delegates.

"*disposal*" means a process of preparing, negotiating and concluding a written contract where necessary which involve the alienation of an *asset* no longer needed by the municipality by means of a sale, a lease a donation or auction.

"*fair value*" (of an *asset*) is the amount obtainable from the sale of the *asset* in an arm's length transaction between willing parties less the selling costs.

"*high value*" as defined in the Local Government: Municipal Finance Management Act 56 of 2003 Municipal Asset Transfer Regulations No. 31346 means that the fair market value of the capital *asset* exceeds any of the following:

(a) R50 million

(b) One per cent of the total value of the capital *assets* of the municipality or municipal entity, as determined from the last available audited annual financial statements of the municipality or entity; or

(c) An amount determined by resolution of *Council* of the municipality or of the parent municipality of the municipal entity which is less than (a) or (b) "***obsolete asset***" will mean and include:

(i) surplus, or redundant *asset*s which cannot be regarded as Capital Assets

(ii) *assets* which are not envisaged by the Municipality to be required for the delivery of Municipal Services;

(iii) *assets* which have become uneconomical to repair, maintain or operate excluding *assets* of symbolic importance or cultural significance;

(iv) *assets* that have a negative impact on service delivery of the municipality, the environment or the community,

(v) *assets* that no longer support a Directorate's service objective due to a change in type of service being delivered or the delivery method

(vi) *asset*s where the use has become uneconomical to continue due to the limited availability of spares or the cost of replacement parts exceed the reasonable value of the item.

(vii) *asset*s where the technology has been outdated and which can no longer be used for the purpose originally intended.

"*Policy*" refers to the Policy and Procedures for the Disposal of Movable Assets Not of High Value.

1. INTRODUCTION

The purpose of the *Policy* is to provide guidance in respect of the disposal of *obsolete asset*s of the Municipality of a value less than R10 million. This policy also provides a framework for understanding of the various Policies adopted by the NDM in relation to its *assets* and to deal with matters ancillary thereto.

2. REGULATORY FRAMEWORK

The Asset Disposal *Policy* is guided by the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) which states that:

(1) "A municipality may not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of any capital *asset* needed to provide a minimum level of *basic municipal service*s.

(2) A municipality may transfer ownership or otherwise dispose of a capital *asset*

(3) other than one contemplated in subsection (1), but only after the municipal *Council*, in a meeting open to the public.

a. has decided on reasonable grounds that the *asset* is not needed to provide the minimum level of *basic municipal service*s; and

b. has considered the fair market value of the *asset* and the economic and community value to be received in exchange for the *asset*.

Furthermore, Section 14 (3) of the said Act prohibits municipalities from reversing its decision to dispose of an *asset* after it has been sold, transferred or otherwise disposed of it.

The Municipality is further guided by the Local Government: Municipal Finance Management Act: Municipal Asset Transfer Regulations which must be read together with the MFMA to give effect to the transfer of *asset*s of *high value*.

3. POLICY PRINCIPLES

3.1 The *Policy* is supported by the following principles:

3.1.1 **Valuation Principle,** i.e. the need to attach a value to the transfer or

disposal of a Municipal Capital Asset, in order to ensure that the interests of the Municipality are not prejudiced by the transfer or

disposal;

3.1.2 **Continuity of Service Principle**, i.e. the need to ensure the

uninterrupted continuance of a Municipal Service when a Municipal Capital Asset that is being used in the delivery of that Service, is transferred or disposed of, particularly when the Asset is used in the provision of the minimum level of *basic municipal services*;

3.1.3 **Risk Transfer Principle,** i.e. the need to transfer the risk relating to a Municipal Capital Asset in conjunction with the transfer of the Asset; and

3.1.4 **Asset Preservation Principle,** i.e. the need to prevent the

indiscriminate or unsustainable transfer or *disposal* of a Municipal Capital Asset in order not to undermine the ability of the Municipality to render or expand Municipal Services in the longer term.

4. POLICY OBJECTIVES

4.1 The objectives of the *Policy* are to:

4.1.1 Ensure that only *assets* that do not provide the minimum level of *basic municipal service*s are disposed of.

4.1.2 Ensure that *assets* are not disposed when the *disposal* of the *asset* or the terms of the *disposal* of the *asset* could disadvantage the municipality or community financially or otherwise.

4.1.3 Ensure that all *disposal*s are in terms of section 14 of the MFMA and in line with the Municipal Asset Transfer Regulations No. R878

4.1.4 Provide guidance to those officials responsible for planning, assessing and disposing *assets*.

4.1.5 Clearly define the roles and responsibilities of those involved in the life cycle of NMBM *assets*.

5. SCOPE AND APPLICATION

The following policies have been adopted by the NDM in relation to its assets and will be applied as circumstances dictate.

5.1 The Policy and Procedures for the Disposal of Immovable Capital Assets will be applied when dealing with immovable property of the NDM;

5.2 The Operational Directives for Firearm Disposal for Official Institutions read with the Firearms Control Act 60 of 2000 will be applied when dealing with firearms of the NDM;

5.3 The Asset Loss Control Policy and Procedures will be applied when dealing with lost, stolen missing or damaged assets of the NDM.

5.4 The Asset Transfer Regulations of 2008 procedures for the Disposal of Movable Capital Assets will be applied when dealing with the disposal of movable property of *high value* of the NDM;

5.5 The *Policy* will be applied when *disposal* of movable assets of the Municipality that is NOT of *high value* is taking place

6. PLANNING FOR DISPOSAL OF MOVABLE ASSETS

6.1 All Directorates of the NDM are responsible for the strategic planning for *disposal* of *assets* that cause the municipality not to perform service delivery efficiently and effectively.

6.2 Planning for *disposal*s must be conducted by Directorates on an annual basis and must be submitted to the Asset **Disposal Committee** for assessment and recommendation for approval to the Management Team. Planning for *disposal*s offers Directorates the means of *disposal* of surplus *assets* timed to minimise disruption to their service delivery and maximise returns by selecting appropriate time in the *asset's* life cycle.

6.3 The planning should involve a detailed assessment of *assets* identified as obsolete i.e surplus assets or redundant assets by the Directorate.

Such *assets* may include the following:

6.3.1 *Assets* not required for the delivery of services, either currently, or over the longer planning period.

6.3.2 *Assets* that have become uneconomical to maintain or to operate.

6.3.3 *Assets* that are not suitable for service delivery.

6.3.4 *Assets* that have a negative impact on the service delivery of the municipality, the environment or the community.

6.3.5 *Assets* that no longer support a Directorate's service objective due to a change in type of service being delivered or the delivery method.

6.3.6 *Assets* where the use has become uneconomical to continue due to the limited availability of spares or the cost of replacement parts exceed the reasonable value of the item.

6.3.7 *Assets* where the technology has been outdated.

6.3.8 *Assets* which can no longer be used for the purpose originally intended.

7. ASSESSING ASSET DISPOSAL APPLICATIONS

7.1 The Asset Disposal Committee constituted of a representative from Infrastructure & Engineering, Budget and Treasury, Human Settlements and Finance Directorate will meet quarterly to assess the applications for *disposal* of *obsolete assets* made by Directorates. In order to arrive at a decision the Asset Disposal Committee will consider the following factors:

7.1.1 Whether there are net *disposal* benefits, either in financial or other forms.

7.1.2 Whether there is secondary service obligations associated with the *asset* which dictates its retention.

7.1.3 Whether a *disposal* can be carried out without adverse impacts on the physical environment.

7.2 In assessing the benefits of *disposal*, the advantages and disadvantages for the NDM as a whole and not just the controlling Directorate, must be considered. *Assets* that have been identified as surplus may need to be retained due to heritage, social, environmental considerations or requirements of other Directorates.

7.3 The symbolic importance and the cultural significance of *assets* should also be considered when assessing the *disposal* of *assets*.

7.4 The Asset Disposal Committee should consider the advantages of engaging experts if their experience in disposal activities is not core business to assist with the activities in the *disposal* cycle.

7.5 Not all *assets* identified as surplus will be able to be sold at a value greater than its *carrying amount*, in such circumstances, the advantages of disposing the *asset* must be weighed against the costs of continued ownership. Examples of cost ownership include

7.5.1 Insurance
7.5.2 Maintenance
7.5.3 Storage costs
7.5.4 Operating costs
7.5.5 Staffing costs

7.6 Retaining such *assets* in service when they no longer effectively support service delivery will expend resources that could otherwise be used elsewhere and could effectively constrain investment in more suitable and economic *assets*.

7.7 *Disposal*s need not always be for strict financial gain. Other opportunities and gains should also be taken into consideration, for example:

7.7.1 Swapping one *asset* for another; or
7.7.2 Construction of a facility for the NDM in return for the *asset*.

8. APPROVAL OF ASSET DISPOSALS

8.1 The Asset Disposal Committee members will grant its authority to proceed with *asset disposal* processes by signing the Application for Disposal of an Asset form.

8.2 Thereafter Finance Directorate will prepare an item for submission to the following *Council* structures.

(i) Management Team – for consideration and recommendation to Finance Directorate and Human Resources Standing Committee

(ii) Finance Directorate Standing Committee – for oversight and recommendation to Executive Mayoral Committee

(iii) Executive Mayoral Committee – for recommendation for final approval by *Council*.

8.3 The final authority to dispose of *obsolete assets* rests with *Council*.

9. PROCEDURES TO BE FOLLOWED BY DIRECTORATES WHEN CONSIDERING DISPOSAL OF AN ASSET

9.1 When an *asset* of the NDM is no longer in use, the following procedures must be followed:

9.1.1 Asset(s) that are uneconomical to maintain or operate must be identified.

9.1.2 The appropriate application to dispose of an *asset* form must be completed and signed by the Director of the Directorate.

9.1.3 The application to dispose of an *asset* form must clearly motivate the reasons for the *disposal* of such *asset*(s)

9.1.4 The application to dispose of an *asset* form must be completed and submitted to the Finance Directorate: Asset Management for assessment and consideration by the Asset Disposal Committee Members.

9.1.5 If the item is of a technical nature e.g. computer equipment, a Directorate must forward a request to Finance Directorate: Municipal Information Systems to confirm the status of the equipment and submit a copy of the report to Finance Directorate: Asset Management Sub Directorate.

9.1.6 Based on the report(s) and motivation submitted by the Directorate a motivation will then be submitted by the Corporate Services Directorate: Asset Management to the Asset Disposal Committee for consideration and assessment of the *asset disposal* request.

9.1.7 The Asset Disposal Committee will make a recommendation to the Municipal Manager and *Council* for approval to dispose of an *asse*t.

9.1.8 The Asset Disposal Committee will sign the Authority to Dispose of an Asset Form and authorise Finance Directorate to proceed with the *asset disposal* processes until approved by *Council.*

9.1.9 After approval has been granted by *Council* to dispose of an *obsolete asset*, the *obsolete assets* that are not in a good condition will be transferred to Storeroom by the relevant Directorate, following the procedure set out below:

(i) Complete an Asset Transfer Form and attach a list of *obsolete assets* being transferred to Storeroom and.

(ii) A copy of the Asset Transfer Form and the list of *obsolete assets* must be forwarded to;

- Finance Directorate: Asset Management Sub Directorate to effect necessary changes on the Movable Asset Register.

- Budget and Treasury Directorate: Stores and Purchasing and the original copy must be kept by
- The relevant Directorate.

(iii) The asset management official and the delivering agent must both sign the Asset Transfer Form when the obsolete furniture is delivered

In a case where approval has been granted by *Council* to dispose of an *obsolete asset*/s, that are usable or in good condition such *asset/*s must be transferred to the Asset Management Storeroom. Transfer arrangements must be made with the Finance Directorate: Asset Management Sub Directorate.

9.2 When disposing of computer equipment the following procedure will be followed:

9.2.1 In the case of PC's, only on the recommendation of the MIS (Municipal Information systems) Sub Directorate will the item be disposed of.

9.2.2 Preference will be given to educational institutions, welfare and charitable organisations.

9.2.3 Councillors and officials, on termination of service with *Council*, may purchase the notebook computers allocated to them at the written- down value thereof (this value to be determined on a straight line depreciation basis over five years) Plus any handling fee of R250 (or as may be determined from time to time) Plus Value Added Tax at the applicable rate.

9.2.4 Not withstanding 9.2.3 the purchase price of a laptop or notebook will not be less than R1000.00.

9.2.5 Due to the advancement in computers and inherent depreciation of the value of computers, obsolete laptops/notebooks, officials

will be granted the opportunity to purchase such equipment at the depreciated value as dictated in 9.2.3 and 9.2.4 above.

9.2.6 All data must be wiped -off from the computer before it is disposed- off

9.3 When a free *donation* of an *obsolete asset* is considered the following procedure must be followed:

9.3.1 Free *disposal* of obsolete *asset*s may be applied to the following *assets*:

(i) Obsolete furniture and redundant equipment

(ii) Computer equipment, computer notebooks (in a case where the user of the notebook did not exercise the purchase option)

(iii) Used library books

(iv) Used uniforms, old stock no longer in use.

9.3.2 **The following types of organisations will be considered to receive donation of *obsolete assets***:

(i) Registered welfare or Charitable Organisations except for Community Chest Organisations.

(ii) Schools catering for handicapped and disabled,

(iii) Schools for special learners

(iv) Educational institutions initiating programmes for the benefit of the community of the NDM.

9.3.3 The following procedures will apply on consideration of an application for free donation of obsolete furniture, redundant equipment and notebooks by organisation listed in 9.3.2:

(i) Applications will be directed to the NDM for the attention of the Municipal Manager.

(ii) The application must be accompanied by the following:

(a) A motivation with reasons for requesting a free *donation* of such a particular *asset* to the organisation or institution.

(b) Proof of registration of the organisation/ institution

(c) A copy of the applicant's constitution

9.3.4 **The following procedure will apply in respect of the donation used uniform:**

(i) The relevant Directorate will identify needy organisations as per 9.3. above where used and old uniform may be donated.

The Directorate Concerned will adhere to the following:

(a) Remove all badges before donation takes place.

(b) Continuous donation of uniform to one organisation will not be allowed

9.3.5 **The following procedure will apply in respect of the donation of obsolete library books or any books**;

(i) The relevant Directorate will identify a recipient organisation as stipulated in 9.3.2 that obsolete books/library books may be donated to.

(ii) The relevant Directorate will remove any NDM branding before it is donated

10. DISPOSAL OF LOST, STOLEN OR MISSING OR DAMAGED ASSETS

Disposal of Lost, Stolen, Missing or Damaged *asset*s will be considered in line with the procedures set out in the Asset Loss Control Policy of the Municipality**.**

10.1 Procedures to be followed in line with the Asset Loss Control Policy are as follows:

(i) The affected employee must report the lost, stolen or missing item to his/her immediate superior.

(ii) The incident must be reported to the Safety and Security Directorate: Investigation Unit and the South African police within twenty four hours.

(iii) A Theft, Loss and Damage report must be completed in triplicate by the affected employee, and signed by the relevant superior.

(iv) A copy of the report must be submitted to Finance Directorate: Asset Management Sub-directorate, another copy to the Budget and Treasury Directorate (for insurance purposes).

(v) Finance Dire: Asset Management Sub-directorate must prepare and submit a consolidated report to the Asset Disposal Committee.

(vi) The Asset Disposal Committee through Finance Directorate, must in turn request the Municipal Manager to authorise the *disposal* of the lost, missing or stolen *assets*.

(vii) Once clause (vi) above has taken place, the Corporate Services Directorate will submit an item through the *Council* Structures to get *Council* approval for such *assets* to be removed from the Movable Assets Register.

11. OTHER METHODS OF DISPOSAL

Any other proposed method of *disposal* will be communicated to the Finance Directorate for consideration by the Asset Disposal Committee where it will be recommended for inclusion in the Asset **Disposal Policy through Council Structures**. It is preferable that the proposed method of *disposal* be included in the *disposal* plan for each Directorate.

12. RESPONSIBILITIES OF DIRECTORATES IN RELATION TO ASSET DISPOSALS

Before any *asset* is disposed of, the Directorate under whose control the relevant *asset* is will be responsible to complete an Application for *disposal* of Asset Form that will detail the following information:

12.1 The detailed information of the *asset* to be disposed of.

12.2 Results of the *asset disposal* method.

12.3 Proposed terms and conditions of the purchase agreement.

12.4 The recommended purchase price.

12.5 The *fair value* of the *asse*t.

The *fair value* of the *asset* must be determined by the relevant Directorate in accordance with the *Policy* applicable to the particular asset.

13. TRANSFER OF OWNERSHIP

Directorates will be allowed to transfer ownership of the asset only after the following events have occurred:

13.1 The Directorate has received a notification from the Finance Directorate that *Council* has approved the *disposal* of the asset in line with Section 14 of the Municipal Finance Management Act (Act No. 56, 2003).

13.2 The Directorate has received payment in full or partial payment in terms of the terms and conditions of the purchase agreement where necessary.

13.3 During the transfer of ownership of the asset, the purchaser must sign an acknowledgement of receipt form as evidence that the purchaser has received the asset according to the terms and conditions of the purchase agreement and in the expected physical condition.

14. CALCULATION OF THE PROFIT AND LOSS ON DISPOSAL

Profits and losses on the sale of property, plant and equipment will be calculated by Budget and Treasury Directorate and shall be disclosed in Annual financial statements:

15. ACCOUNTING FOR THE DISPOSAL OF ASSETS

Accounting for the *disposal* of *assets* will be taken care of by Budget & Treasury Directorate in line with the applicable legislations.

16. UPDATING THE POLICY

It will be the responsibility of the Finance Directorate to consider the provisions of the *Policy* as and when necessary. Finance Directorate will request all other Directorates to submit proposed changes to the *Policy* for submission to *Council* for approval.

POLICY ON DONATIONS

NKANGALA DISTRICT MUNICIPALITY

EFFECTIVE DATE: 01 JULY 2015	**REVIEW DATE : YEARLY**

INDEX

DONATIONS, SPONSORSHIP, AND GIFTS POLICY

1. POLICY AS DEFINED

A donation is a gift given by natural or legal persons, typically for charitable purposes and/or to benefit a cause. A donation may take various forms, including cash offering, services, new or used goods including clothing, toys, food, and vehicles. It also may consist of emergency, relief or humanitarian aid items and development aid support. Donations are given without return consideration.

2. DEFINITIONS

"**Act"** means the Local Government: Municipal Finance Management Act (no. 56 of 2003).

"**Constitution**" Constitution of Republic of South Africa, 1996

"**Council"** means elected council of the Nkangala District Municipality.

"**Councillor**" means an elected member of the council.

"**Donation"** in the context of this policy, it means monetary consideration, goods, services, immovable property, or any other item of value.

"NDM" Nkangala District Municipality

"MFMA" Local Government: Municipal Finance Management Act 2003, Act No. 56 of 2003

"Official" means any person in the employment of the Nkangala District Municipality.

"**Structures Act**" means Local Government: Municipal Structures Act 1998, Act No. 117 of 1998

"**System Act"** means Local Government: Municipal Systems Act 2000, Act No. 32 of 2000

3. INTRODUCTION

The Council has an obligation to comply with its internal and external audits, sound financial governance framework and to be accountable to the community for its expenditure on donations. This policy framework is not intended to be exhaustive in coverage, but aim to identify principles and provide guidelines when the council decides to grant donations.

4. PURPOSE

The purpose of this Policy is to define the framework for donations and the mechanism for solicitation, acceptance and deposit as well as to provide general principles and guidelines in relation to the acceptance and administration of donations.

This policy will assist to structure donations/grants of municipally owned resources in limited amounts to non-profit organizations within the municipality for purposes related to the well-being of the community and the growth and/or recognition of individuals in the community.

5. FORMS OF DONATIONS

The Nkangala District Municipality may receive various forms of donations, sponsorship or gifts

This may include:

- (i) Donations to fund operational projects or
- (ii) Sponsorships to fund sports, culture and recreation
- (iii) Donations to fund Capital Expenditure

These donations need to be managed effectively and efficiently to ensure that the desired outcomes are met. In addition to donations and sponsorships offered to the municipality.
Individuals (staff members and councillors) are sometimes offered rewards and gifts as a token of appreciation.

6. FINANCIAL SERVICES

The representative from the directorate of financial services shall be responsible for the arrangement of the payment to the beneficiaries.

7. COUNCILOR

A councillor shall be present to assist in the allocation of donations as well as observing the fairness of the procedures.

8. ACCEPTANCE OF DONATIONS, GRANTS, REWARDS, AND GIFTS

The Nkangala District Municipality should not simply accept all donations, sponsorship, and gifts offered to Council, but should consider all the implications of acceptance of the donations, sponsorship and gifts before accepting it.

The Municipal Finance Management Act Regulations 47 does not prohibit sponsorships or donations (in money or kind) to the municipality as such but prescribes that such action must be disclosed if it was promised, offered or granted by a provider or prospective provider of goods and services or a recipient or prospective recipient of goods disposed of or to be disposed of by a municipality or municipal entity, may either directly or through a representative or intermediary promise, offer or grant-

a) Any inducement or reward to the municipality or municipal entity for or in connection with the award of a contract or

b) Any reward, gift, favour or hospitality to-

    (a) Any official of the municipality or municipal entity or

    (b) Any other role player involved in the implementation of the supply chain management policy of the municipality or municipal entity.

(iii) The accounting officer of a municipality or municipal entity must promptly report any alleged contravention of sub-regulation (1) to the national treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the national treasury's database of persons prohibited from doing business with the public sector.

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(iv) Sub-regulation (1) does not apply to gifts less than R350 in value.

9. DONATIONS AND SPONSORSHIPS TO THE MUNICIPALITY

The acceptance of donations and sponsorships must, at all time, be done in such a manner that it maintains and promotes sound financial management, public accountability, transparency and good governance. When donations or sponsorships are offered to the municipality, the following must be considered:

- Whether the sponsorship or donation creates an expectation of further work, contracts, support, etc to the organization or person making the sponsorship or donation;
- Whether the sponsorship or donation is within the ambit of the Supply Chain Management Regulation 47 and 48;
- Whether the sponsorship or donations infringes the ethical standards set in regulation 46 of the Municipal Supply Chain Management Regulations.

If it is found that the offered donation or sponsorship is offered or granted with the intention of being an inducement or reward for the awarding of any form of bid, or that

it infringes on the ethical standards in Regulation 46 of the Municipal Supply Chain Management Regulations, the donation or sponsorship must not be accepted.

All donations or sponsorship offered or granted to the Nkangala District Municipality must be submitted to the Municipal Manager for approval.
No person other than the Municipal Manager may authorize the acceptance of donations or sponsorship on behalf of the municipality.

All donations or sponsorship offered or granted to the NDM must be declared to National Treasury and the provincial treasury in terms of Section 48 of the Municipal Supply Chain Management Regulations.

10. **REWARDS, GIFTS, FAVOURS, HOSPITALITIES OR OTHER BENEFITS DIRECTLY OR INDIRECTLY OFFERED TO STAFF MEMBERS**.

- No staff member may accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including any close family member, partner or associate of the staff member, of a value more than R350 from any provider or potential provider of good and/or service,

- Notwithstanding the above, the relevant staff member must declare details of any reward, donations, favour, hospitality or other benefit promised, offered or granted to him/her or to any close family member, partner or associate of him/her;

- Supply Chain Unit must maintain a register where rewards, donations, favours, hospitality or other benefits that are offered and / or accepted by staff members in NDM are recorded,

- The abovementioned register must be available for inspection by the Municipal Manager and the Chief Audit Executive.

11. DONATIONS AND SPONSORSHIPS FROM THE NKANGALA DISTRICT MUNICIPALITY

11.1 OBJECTIVE OF DONATIONS POLICY

11.1.1 One of the objectives of donations policy is to provide a framework within which the municipality can grant donations.

11.1.2 To promote and maintain an effective system of granting donations in an ethical, compliant and consistent manner with relevant legislations and other approved council policies.

11.1.3 To instil a sense of accountability regarding the number or keeping database of donations received and made for reporting purpose.

11.1.4 To ensure that granting of donations is spread evenly to NDM and not just one Municipal jurisdiction area.

12. POLICY STATEMENT

There are occasions when the Council receives requests from various members of the community, organizations for donations. As with all other expenses, the council or the accounting officer must exercise prudent business judgment in considering proposed expenditure in relation to the granting of donations, based on the specific request and the availability of funds.

13. BACKGROUND

The Council has an obligation to comply with its internal and external audits, corporate governance framework and to be accountable to the community for its expenditure on donations.
This policy framework is not interned to be exhaustive in coverage, but aim to identify principles and provide guidelines when the council decides to grant donations.

14. PROCEDURAL PROVISIONS WHEN MAKING DONATIONS

Requests for donations will be done in a prescribed format approved by council. All requests for donation shall be directed to the accounting officer and / or the Executive mayor of Nkangala District municipality.

15. CLASSIFICATION OF DONATIONS

For the purpose of this policy framework, the following organizations and bodies will be classified as follows, and are eligible to request donations:

a) Institutions of learning
b) Special institutions e.g the DPOSA (Disabled People of South Africa)
c) Religious institutions
d. Co-operatives
e) Social clubs
f) Community –based organizations
g) Section 21 companies (not for gain companies)
h) Sporting clubs
i) Cultural organizations
j) Human Rights organizations
k) Traditional Authorities (AmaKhosi)

16. CONSEQUENCES OF NON-COMPLIANCE

Any donation granted contrary to the provisions of this policy; constitute unauthorized, irregular or fruitless and wasteful expenditure and as such will amount to serious misconduct.

17. REPORTING

The council may require that an organization or institution granted a donation, must report to the accounting officer of the municipality on the actual expenditure against the donation on a monthly basis or on request;

Failure to report to the accounting officer as requested shall automatically disqualify the organization or institution for further donations.

Where appropriate, to comply with financial management and auditing requirements as may be stipulated.

A list of donations granted, with particulars of the organizations/groups must be submitted to Council bi-annually for noting.

The donations committee shall be established and shall report all donations of cash to the Mayoral committee on a quarterly basis.

The report shall include:

- All requests for donations received
- All requests for donations declined
- All requests for donations approved
- The financial status of the expenditure vote.

18. PROCEDURE FOR APPLICATIONS FOR DONATIONS

❖ An eligible organization wishing to apply for a donation shall apply in writing for such donation.

❖ Every such application shall be addressed to the office of the Municipal Manager and shall be either:

❖ posted to the Municipality's address or

❖

❖ Delivered by hand to the municipality offices

❖ Each such application shall include the following:

❖ The full name of the applicant;

❖ The name of the applicant's contact person;

❖ The postal, physical and e-mail addresses of the applicant;

❖ The telephone number of the applicant;

❖ The registration number, income tax number and fund-raising number of the applicant where applicable;

❖ A list of the names of the members of the board of directors or governing body of that organization.

- ❖ A copy of the financial statements of the applicant, if any.
- ❖ The amount or nature of the donation requested;
- ❖ The identity and location of the community which it is intended will benefit from the donation;
- ❖ The nature of the activity or project which is intended to be funded by the donation;
- ❖ The manner in which such activity or project is expected to benefit the community;
- ❖ A business plan showing in detail how the activity or project is to be implemented and sustained where applicable;

❖ Any other information which the applicant considers relevant to the application;

- ❖ An acknowledgement by the recipient that it is familiar with and understands the provisions of this policy.

19. AGREEMENT

(i) The terms and conditions attaching to any donation shall be reduced to a written agreement which will be signed by a representative of each of the Municipality and the recipient.

(ii) Unless and until such agreement is signed, no asset which is the subject of a donation shall be transferred to the recipient and the recipient shall have no claim to such assets.

(iii) If such agreement is not signed within thirty days of the municipality having approved the application, such approval shall lapse and be of no further force and effect, and the recipient shall have no claim against the Municipality.

20. NON ADHERENCE TO POLICY

Any political office bearer, management and general staff of the municipality who does not strictly adhere to the provision of this policy commits and act of misconduct.

21. SHORT TITLE AND EFFECTIVE DATE

The above policy shall be known as Nkangala District Municipality Donations Policy and will be effective from 1 July 2015. The policy will be reviewed annually.

FUNDING & RESERVES POLICY

1 JULY 2015

NKANGALA DISTRICT MUNICIPALITY
DC31

1. INTRODUCTION

The funding and reserves policy is aimed to ensure that the municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

This policy aims to set guidelines towards ensuring financial viability over both the short- and long-term which includes reserves requirements.

2. OBJECTIVES OF POLICY

The objectives of the policy are to:

2.1 Ensure that the Medium Term Expenditure Framework (annual budget) of the municipality is appropriately funded.

2.2 Ensure that cash resources and reserves are maintained at the required levels to avoid future year unfunded liabilities.

2.3 To achieve financial sustainability with acceptable levels of service delivery to the community.

3. LEGISLATIVE REQUIREMENTS

The legislative framework governing borrowings are:

3.1 Local Government Municipal Finance Management Act, Act 56 of 2003; and

3.2 Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

4. FUNDING OF ANNUAL BUDGET

4.1 An annual budget may only be funded from:

a) cash backed accumulated funds from previous years surpluses and reserves not committed for any other purpose; and/or

b) borrowed funds but only for capital expenditure.

4.2 Realistic anticipated revenue projections must take into account:

(a) projected revenue for the current year based on collection levels to date.
(b) actual revenue collected in previous financial years.

4.3 Capital expediting may only incur on a capital project if:

(a) the funding for the project has been appropriated in the capital budget.

(b) the total cost for the project has been approved by Council.

(c) the future budgetary implications and projected cost covering all financial years until the project is operational has been considered.

(d) the implications of the capital budget on municipal tax and tariff increases.

(e) the sources of funding are available and have not been committed for other purposes.

5. CASH MANAGEMENT

5.1 The availability of cash is one of the most important requirements for financial sustainability and must be closely monitored to ensure minimum days cash on hand of forty five (45) days for its daily operations.

5.2 Changes in the municipal environment that may have an impact on the municipal cash position include:

(a) reduced growth as a result of economic conditions;

5.3 Surplus cash not immediately required for operational purposes is invested in terms of the municipality's investment policy to maximize the return on cash.

6. DEBT MANAGEMENT

6.1 Debt is managed in terms of the municipal credit control and debt collection policy and the writing off of bad debts and impairments of debtors' policy.

6.2 The provision for revenue that will not be collected are budgeted as an expense and is based on the projected annual non-payment rate for each service.

7. OPERATING BUDGET

7.1 The operating budget provides funding to departments for their medium term expenditure as planned. The municipality categorizes services rendered to the community according to its revenue generating capabilities.

(a) rates and general services – services that are funded by rates, surpluses generated by trading services, and/or other revenues generated such as fines, interest received, grants and subsidies etc.

7.2 The operating budget is funded from the following main sources of revenue:

(a) government grants and subsidies.

(b) other revenue, fines, interest received etc.

(c) cash backed accumulated surpluses from previous years not committed for any other purposes.

7.3 The following guiding principles apply when compiling the operating budget:

(a) The annual budget must be balanced.

(b) Growth parameters must be realistic taking into account the current economic conditions.

(c) Tariff adjustments must be realistic, taking into consideration the general inflation, affordability, bulk increases and the demand according to the approved Integrated Development Plan (IDP).

(d) Revenue from government grants and subsidies must be in line with allocations gazette in the Division of Revenue Act and provincial gazettes.

(e) Revenue from public contributions, donations or any other grants may only be included in the budget if there are acceptable documentation that guarantees the funds such as:

(i) signed service level agreement; (ii) contract or written confirmation; or
(iii) any other legally binding document.

(i) Rebates, exemptions or reductions for service charges are budgeted either as revenue foregone or as a grant as per directive in MFMA Budget Circular 51 depending on the conditions thereof.

(j) Other projected income is charged in terms of the approved sundry tariffs and fines considering the past trends and expected growth for each category.

(k) Provision for revenue that will not be collected is made against the expenditure item bad debt and based on actual collection levels for the previous financial year and the projected annual non-payment rate.

(l) Interest received from actual long-term and or short-term investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends. The actual amount allocated for interest on investments is contributed to the capital replacement reserve.

(m) Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects and with no recurring operating expenditure resulting thereof.

(n) Transfers from the accumulated surplus to offset the increased depreciation charges as a result of the implementation of GRAP 17 will be phased out over a number of years.

(o) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total and new and/or funded vacant positions are budgeted for six (6) months only of the total package considering the recruitment process. As a guiding principle the salary budget should not constitute more than 35% of annual operating expenditure.

(p) Depreciation charges are fully budgeted for according to the asset register and to limit the impact of the implementation of GRAP 17 a transfer from the accumulated surplus is made. However the annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs.

(q) To ensure the health of municipal assets, sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels, resulting that maintenance budgets are normally lower than the recommended levels. Therefore the mere reduction of maintenance budgets to balance annual budgets must carefully be considered. As a guiding principle repair and maintenance should constitute between 5 and 8% of total operating expenditure and should annually be increased incrementally until the required targets are achieved.

(r) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure. Increases for these line items must be linked to the average inflation rate and macro-economic indicators unless a signed agreement or contract stipulates otherwise.

8. CAPITAL BUDGET

8.1 The capital budget provides funding for the municipality's capital programme based on the needs and objectives as identified by the community through the Integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

8.2 Provisions on the capital budget will be limited to availability of sources of funding and affordability. The main sources of funding for capital expenditure are:

(a) accumulated cash back internal reserves;

(b) borrowings;

(c) government grants and subsidies; and

(d) public donations and contributions,

8.3 The following guiding principles applies when considering sources of funding for the capital budget:

(a) Government grants and subsidies:

(i) only gazette allocations or transfers as reflected in the Division of Revenue Act or allocations as per provincial gazettes may be used to fund projects;

(ii) the conditions of the specific grant must be taken into consideration when allocated to a specific project; and

(iii) government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.

(b) In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding is guaranteed by means of:

(i) signed service level agreement; (ii) contract or written confirmation; and/or (iii) any other legally binding document.

(c) Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.

(d) The borrowing requirements as contained in the borrowing policy are used as a basis to determine the affordability of external loans over the Medium Term Income and Expenditure Framework. The ratios to be considered to take up additional borrowings:

(i) long-term credit rating of BBB;
(ii) interest cost to total expenditure to not exceed 8%;
(iii) long-term debt to revenue (excluding grants) not to exceed 50%;
(iv) payment rate of above 95%;
(v) percentages of capital charges to operating expenditure less than 18%.

(e) Allocations to capital projects from cash back internal reserves will be based on the available funding for each ring fenced reserve according to the conditions of each reserve as follows:

(i) capital projects of a smaller nature such as office equipment, furniture, plant and equipment etc. must be allocated to the capital reserve from revenue which is funding from the revenue budget for that specific year.

A general principle is that these types of capital expenditure should not exceed more than 1% of total operating expenditure;

(iii) capital projects to replace and/or upgrade existing assets will be allocated to the capital replacement reserve; and/or

(iv) capital projects to upgrade bulk services will be allocated to the capital bulk contributions reserve for each service.

8.4 All capital projects have an effect on future operating budget therefore the following cost factors should be considered before approval:

(a) additional personnel cost to staff new facilities once operational;

(b) additional contracted services, that is, security, cleaning etc.

(c) additional general expenditure, that is, services cost, stationery, telephones, material etc.

(d) additional other capital requirements to the operate facility, that is, vehicles, plant and equipment, furniture and office equipment etc.

(e) additional costs to maintain the assets;

(f) additional interest and redemption in the case of borrowings;

(g) additional depreciation charges;

(h) additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

9. RESERVES

9.1 All reserves are "*ring fenced*" as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognized Accounting Practices (GRAP).

9.2 The following ring fenced reserves exist:

(a) *Capital reserve for new developments*

This reserve is used to fund capital expenditure to service new developments. Each development is ring fenced within this reserve. This reserve must be cash backed to ensure the availability of cash to fund the capital expenditure required.

(b) *Capital replacement reserve*

Funding for capital budgets of future financial years are generated through a combination of methods. Once a municipality has reached its maximum gearing ability no further borrowings can be taken up. This necessitates that the municipality also invests in a capital replacement reserve, however, it must be cash backed.

This reserve once fully established will enable the municipality to provide internal funding for its capital replacement and renewal programme.

In the past the cash generated from depreciation was used for the redemption payments on borrowings only. The increased asset value as a result of GRAP 17 has resulted that the depreciation charges increased drastically which was not supported by cash.

To limit the tariff increases a non-cash contribution was made from the depreciation reserve to offset the depreciation charge.

Depreciation is a method to generate future cash. Therefore it is anticipated to annually incrementally decrease the offset depreciation charge from the depreciation reserve with 2% until the depreciation is fully funded from cash through tariff setting.

Other contributions to the capital replacement reserve through the operating budget are:

(i) interest received on investments;
(ii) surface rentals from mines as identified from time to time; and

This reserve must be cash backed to ensure the availability of cash to fund the municipal capital programme.

(c) *Bulk capital contribution reserves*

This reserve is to supplement capital expenditure for the necessary expansions and upgrading of bulk infrastructure due to new developments. Revenue generated through bulk services contributions are allocated to this reserve for each applicable service. This reserve must also be cash backed.

10. PROVISIONS

A provision is recognized when the municipality has a present obligation as a result of a past event and it is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be

required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are revised annually and those estimates to be settled within the next twelve (12) months are treated as current liabilities.

The municipality has the following provisions:

(a) *Leave provision*

Liabilities for annual leave are recognized as they accrue to employees. An annual provision is made from the operating budget to the leave provision. Due to the fact that not all leave balances are redeemed for cash, only 75% of the leave provision is cash backed.

(b) *Long services awards*

Municipal employees are awarded leave days according to years in service at year end. Due to the fact that not all long service leave balances are redeemed for cash, only 75% of the long service leave provision is cash backed.

(c) *Post employment medical care benefits*

The municipality provides post-retirement medical care benefits by subsidizing the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over a period of employment.
This provision must be cash backed to ensure the availability of cash for the payment of medical aid payments.

11. OTHER ITEMS TO BE CASH BACKED

11.1 *Donations, public contributions, unspent grant funding*

Revenue received from conditional grants, donations and funding is recognized as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any other items on the operating or capital budget other than that for which it was intended for.

11.2 *Consumer deposits*

Consumer deposits are partial security for a future payment of an account. Deposits are considered a liability as the deposit is utilized on the account once the service is terminated. Therefore the funds are owed to consumers and can therefore not be utilized to fund the operating or capital budget.

Consumer deposits should be retained in cash. Due to the fact that it is not likely to redeem all of the consumer deposits at once, only 75% are cash backed.

12. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

13. SHORT TITLE

This policy shall be called the Funds and Reserves Policy of the Nkangala District Municipality

INVESTMENT OF SURPLUS FUNDS POLICY

1 JULY 2015

NKANGALA DISTRICT MUNICIPALITY
MP 313

Approved – May 2014

1. DEFINITIONS

In terms of Government Gazette R301 dated 1 April 2005 all definitions as applied in this regard will be as stated in the Municipal Finance Management Act, 2003.

Unless otherwise stated the following definitions shall mean:

"*Act*"	The Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003)
"*Investee*"	An institution with which an investment is placed
"*Investment Manager*"	A natural person or legal entity that is a portfolio manager registered in terms of the Stock Exchange Control Act, 1985 (Act 1 of 1985) and the Financial Markets Control Act, 1989 (Act 55 of 1989.), contracted by the municipality to – - advise it on investments; - manage investments on its behalf; or - advise it on investment and manage investments on its behalf.
"*Trust money*"	Money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Act.
"*Public-private partnership*"	A commercial transaction between the municipality and a private party.

2. VISION

1. to enable the Council and its chief financial officer as trustees of public funds to exercise their obligation to ensure that cash resources are managed in the most efficient and effective manner possible.

2. to institute an investment committee to be responsible and accountable to the community to exercise due care in the investment of public funds.

3. to lay down broad investment parameters for use by those responsible for the placing of investments.

4. to have instituted a policy geared to obtain the best return without risk within periods for which funds are not required.

5. to provide for an effective cash flow management programme.

3. STATEMENT

In dealing with financial institutions and related interested parties the following ethics should be observed:

1. the chief financial officer is ultimately responsible for the investment of funds and he must avoid outside interference whether such interference comes from individual councillors, agents or any institution.

2. under no circumstances should inducements to invest be accepted. While reasonable entertainment by investment institutions is accepted as business practice, the acceptance of gifts other than mere tokens, is not proper for a public official whether or not such gifts influence or are intended to influence him/her in his/her work.

3. interest rates quoted by one institution must never be disclosed to another.

4. OBJECTIVES OF THE POLICY

The objectives of this policy, with due regard to the provisions of the regulations, are:

1. the preservation and safety of investments as a primary aim;

2. the need of investment diversification;

3. to specify minimum acceptable credit rating for investments including:
   o a list of approved investment types; o a list of approved institutions;
4. guidelines for the invitation and selection of competitive bids or offers in accordance with part 1 of chapter 11 of the Act for investments in excess of six (6) months or the appointment of an investments manager;

5. measures for ensuring implementation of the policy and internal controls over investments made;

6. guidelines for reporting on and monitoring of all investments made, subject to Regulation 9;

7. guidelines for benchmarking and performance evaluation;

8. the assignment of roles and functions, including any delegation of decision making powers; and

9. to provide for the necessity of the annual review of the policy.

5. **LEGISLATIVE COMPLIANCE**

The legislative framework governing investment decisions are:

5.1 Local Government Municipal Finance Management Act, Act 56 of 2003

(a) Section 8(2)(d)

"*all income received by a municipality on its investments must be paid into a municipality's primary bank account*".

(b) Section 13(1) to (4)

1. the National Treasury may prescribe a framework within which municipalities must conduct their cash management and investments and invest money not immediately required.

2. the municipality must establish an appropriate and effective cash management and investment policy in accordance with such framework.

3. a bank where a municipality holds at the end of a financial year a bank account or held a bank account at any time during a financial year, must:

   - within thirty (30) days after the end of that financial year notify the Auditor-General in writing of such bank account, including the type and number of the account and the opening and closing balances of that bank account in that financial year.

   - disclose information regarding the account when so requested by the National Treasury or the AuditorGeneral.

4. a bank, insurance company or other financial institution which at the end of a financial year holds, or at any time during a financial year held, an investment for a municipality must:

   - within thirty (30) days after the end of that financial year notify the Auditor-General in writing of that investment including the opening and closing balances of that investment in that financial year; and

   - promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

(c) Section 17(3)(f)

When an annual budget is tabled by the executive mayor, it must be accompanied by an information statement on the particulars of the municipality's investments.

5.2 Municipal Investment Regulations published under Government Gazette R308 dated 1 April 2005

Read with section 13 and 99(2)(g) of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) these regulations have been promulgated to regulate municipal investments. Various regulations and provisions have been set out in this section to regulate the investment of surplus cash of a municipality.

6. STANDARD OF CARE

Investments made by the municipality, or by an investment manager on behalf of the municipality:

1. must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's affairs;

2. may not be made for speculation but must be a genuine investment; and

3. must in the first instance be made with primary regard being to the probable safety of the investment, and in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.

7. PERMITTED INVESTMENTS

The municipality may invest funds only in any of the following investment types and institutions:

1. securities issued by the national government;

2. listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;

3. deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);

4. deposits with the Public Investment Commissioner as contemplated by the Public Investment Commissioners Act, 1984 (Act 45 of 1984);

5. deposits with the Corporation for Public Deposits as contemplated by the Corporation of Public Deposits Act, 1984 (Act No. 46 of 1984);

6. banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990;

7. guaranteed endowment policies with the intention of establishing a sinking fund,

8. repurchase agreements with registered banks in terms of the Banks Act, 1990;

9. deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);

10. municipal bonds issued by a municipality; and

11. any other investment type as the Minister of Finance may identify by regulation in terms of Section 168 of the Act, in consultation with the Financial Services Board.

8. <u>INVESTMENTS DENOMINATED IN FOREIGN CURRENCIES PROHIBITED</u>

The municipality may make an investment only if the investment is denominated in rand currency and is not indexed to, or affected by, fluctuations in the value of the rand against any other currency.

9. <u>PAYMENT OF COMMISSION</u>

No fee, commission or other reward may be paid to a councillor or official of the municipality or to a spouse or close family member of such a councillor or official in respect of any investment made or referred by the municipality.

If an investee pays any fee, commission or other reward, to an investment manager in respect of any investment made by the municipality, both the investment manager and the investee must declare payment to the council of the municipality by way of a certificate disclosing full details of the payment.

10. <u>REPORTING REQUIREMENTS</u>

The accounting officer of the municipality must within ten (10) working days of the end of each month, as part of the section 71 report required by the Act, submit to the executive mayor of the municipality a report describing in accordance with the generally recognized accepted accounting practice (GRAP) the investment portfolio of the municipality as at the end of the month.

The report must set out at least:

1. the market value of the investment as at the beginning of the reporting period;

2. any changes to the investment portfolio during the reporting period;

3. the market value of each investment as at the end of the reporting period: and

4. fully accrued interest and yield for the reporting period.

11. RATING OF PERMITTED INVESTMENT INSTITUTIONS

The municipality shall rely on the credit rating analysis from external credit rating agencies as submitted by the financial institutions from time to time. When an investment institution no longer has the minimum acceptable credit rating, all investments when appropriated must be liquidated.

12. PORTFOLIO DIVERSIFICATION

The municipality must take all reasonable and prudent steps, consistent with its investment policy and according to the standard of care prescribed to diversify its investments across institutions, types of investments and investment maturities.

A good rule is not to invest with banks with investments of more than 15% of its capital and reserves and to examine such in conjunction with a bank rating by an independent agency.

As a general principle it must be accepted that the greater the return, the greater the risk.

13. BORROWING AND RE-INVESTMENT

There may not be borrowings for re-investment as this is tantamount to taking a view on interest rate movements and could be construed as speculating with public funds.

14. MATCH THE INVESTMENT TYPE TO THE FUND

Should investments in growth related instruments be considered, only funds which are unlikely to necessitate a forced sale should be used, to ensure that the funds used for the investment are of such nature that the investment can be realized when market conditions are most favourable.

15. REGISTERED FINANCIAL INSTITUTIONS

Investments must only be made in accordance of the regulations as in **section 6** of the Government Gazette Notice No. R308 dated 1 April 2005. (Refer Chapter E : Permitted Investments). The municipality must ensure that it places investments only with credit worthy institutions and regularly monitors its investment portfolio.

16. GROWTH-LINKED INVESTMENTS

When legislation permits investments in growth linked instruments, extreme care must be exercised as in most cases market conditions will determine the value of the investment at any given time, and it should be ensured that the return of the capital invested is guaranteed.

17. **CASH AT BANK**

The "*overnight*" interest rate regularly negotiated with the Council's bankers for money kept in the current bank account must continuously be compared to that of call deposits. These rates can be improved by fixed term investments and the overriding principle is that funds in the current account must be kept to the absolute minimum as required by cash flow projections.

18. **CONTROL AND REGISTERING OF INVESTMENTS**

The CFO must establish and maintain proper internal control structure to ensure the management of investments is protected from loss, theft or misuse. These controls include amongst others:

1. a proper register of all investments made indicating the institution, fund, interest rate and maturity date. Interest must be correctly calculated and received timeously together with any capital which matures.

2. investment papers and confirmation must be kept in a secured place.

3. delegation of authority to subordinate officials.

4. separation of functions through segregation of duties.

19. **INVESTMENT MANAGERS**

An investment manager may only be used to facilitate investments if such an appointment has been authorized by the Council in terms of its supply chain management policy of the municipality and all conditions of services and fees payable have been disclosed to the Council.

20. **INVESTMENT LIMITATIONS**

In order to ensure safe investment with the minimum risk exposure, investments are not to be made with financial institutions with ratings lower than A1/F1 as defined in the national rating definitions.

21. **PROCESS OF INVESTMENT OF FUNDS**

21.1 Short term investments (6 months)

1. authority is delegated to the Manager Finance for the placement and control of such deposits.

2. quotations must be invited from at least three (3) financial institutions for the term for which the investment is to be placed.

3. it is acceptable to obtain telephonic quotations, confirmed by a facsimile, when placing funds.

4. when obtaining quotations, note should be taken of the name of the institution, the person who gave the telephonic quotation, and the terms and interest applicable.

5. in considering the investment of funds, intermediaries must not be employed to make investments on behalf of the Council.
6. only banks with an A1/F1 or similar rating for safe investment purposes by an independent bank rating institution may be approached for quotations.

7. quotations must only be obtained and investments placed at the capital market sections or the corporate investment divisions of the qualifying banks.

8. investment confirmation on must immediately be issued by the related financial institution and be forwarded to the Manager Finance for safekeeping.

21.2 <u>LONG-TERM INVESTMENTS</u>

1. In terms of the Municipal Systems Act, Act 32 of 2000 authority is delegated to the Executive Mayor to in conjunction with the Manager Finance make investments on behalf of the municipality within a policy framework determined by the Minister of Finance.

2. The placement of any investment in excess of six (6) months is subjected to surplus funds being identified in a proper cash flow forecast covering at least the period over which the investment is envisaged and must be certified by the Executive Director Financial Services.

3. Fully detailed bids in compliance with Supply Chain Management Regulations must be obtained and must be considered together with a report by the Manager Finance to the bid adjudication committee.

22. <u>REVIEW</u>

The policy must be reviewed annually to ensure that it complies with changes in legislation and regulations that applies.

23. <u>SHORT TITLE</u>

This policy shall be called the Investment of Surplus Funds Policy of the Nkangala District Municipality.

PETTY CASH POLICY

1 JULY 2015

NKANGALA DISTRICT MUNICIPALITY
DC31

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1. INTRODUCTION

Petty cash is a small amount of discretionary funds in the form of cash used for expenditure where it is impractical to follow the official procurement process due to the nature of the goods and/or services required.

2. OBJECTIVES OF POLICY

The objectives of the policy are to:

2.1 Ensure goods and services are procured by the municipality in accordance with authorized processes only.

2.2 Ensure that the municipality has and maintains an effective petty cash system of expenditure control.

2.3 Ensure that sufficient petty cash is available when required.

2.4 Ensure that the items required to be procured are approved petty cash items.

3. LEGISLATIVE FRAMEWORK

The legislative framework governing petty cash are:

3.1 The Local Government Municipal Finance Management Act, 56 of 2003.

3.2 The Municipal Supply Chain Management Regulations, Regulation 868, published under Government Gazette 27636, 30 May 2005.

3.3 The municipal supply chain management policy.

4. PETTY CASH PURCHASES

4.1 The Manager Finances must delegate personnel from the expenditure section in the treasury office and the supply chain management unit to keep petty cash registers and make petty cash payments up to the maximum amount as allowed per transaction.

4.2 Petty cash is restricted to cash purchases up to a transaction value of R500,00 VAT included.

4.3 Petty cash purchases may not deliberately be broken up over two (2) or more transaction claims or be split over more than one (1) day for the same items in order to fall within the determined threshold of R500,00 VAT included.

4.4 To limit the risk of cash handling and misuse of petty cash, purchases to a maximum amount of R1 500,00 will be paid by EFT subject to the following conditions:

(a) Such payments will only be for reimbursement expenditure incurred by officials with his/her own funds.

(b) No claims will be accepted if to be paid to a supplier directly.

(c) Proof of payment of such expenditures must be provided with each claim.

(d) Claims will only be dealt with at treasury office and not at the supply chain unit.

(e) Only claims applicable to 5.2 will be reimbursed.

(f) Claims must be submitted to the Accountant Expenditure.

(g) The Accountant Expenditure must record these claims in a separate register and monthly be included in the report referred to in subsection (13).

5. APPROVED LIST OF PETTY CASH PURCHASES

5.1 Approved items for petty cash bin purchases, but not limited:

(a) Bouquets and flowers utilized for official purposes;

(b) Tollgate fees;

(c) Refreshments and catering / entertainment;

(d) Pay-as-you-go cellular airtime;

(e) Purchases of an urgent nature where it is impractical to follow the official procurement process; and/or

5.2 Approved items for EFT petty cash reimbursements:

(a) Materials for urgent repair work not kept or not available at the municipal stores;

(b) Ad hoc stationery items;

(c) Refreshments and catering;

(d) Materials of special nature only available at specific suppliers; and

(e) Purchases of an urgent nature where it is impractical to follow the official procurement process.

5.3 Departments may not utilize the petty cash for the following items:

(a) Approved store items which are kept at the municipal stores;

(b) Any items which can be classified as assets (inventory items), for example, calculators, memory sticks (USB); tools etc.;

(c) Subsistence and travel claims;

(d) Safety equipment and clothing such as clothes, ear protectors, safety glasses, etc.;

(e) Wages or labour for contract work which may or may not include material; and/or

(f) Books and magazines.

(g) Any fuel purchases;

(h) Parts/material for vehicle repairs, excluding tyre repairs.

5.4 Petty cash specified in 5.1(e) and 5.2(e) above must be approved by the Manager Finances or delegated senior official prior to the transaction.

5.5 Petty cash bins kept by the supply chain unit may only be utilized for materials and/or repair work for work less than R500,00 where it is impractical to follow an official procurement process as per 5.1(e) and 5.3.

5.6 Petty cash purchases as per 5.1(a-e) may only be claimed from petty cash bins kept at the treasury office.

6. SAFEGUARDING

6.1 The petty cash is to be safeguarded in a lockable cash box and should be locked away when not in use during normal business hours.

6.2 The keys of the petty cash box must be safeguarded by the petty cash official.

6.3 After normal business hours, the responsible petty cash official must lock away the petty cash bins in a fire and theft resistant safe as identified.

6.4 The Chief Accountant Expenditure and Salaries is responsible to keep a key register of keys allocated or transferred to the relevant delegated official.

7. TRANSFER OF PETTY CASH BINS AND KEYS

7.1 When the petty cash bins are transferred to another delegated official, the petty cash must first be reconciled and be verified by the transaction control and verification section before it is officially handed over. The new incumbent must sign for the petty cash bin as well as for the keys to the bin.

7.2 The Chief Accountant Expenditure and Salaries will be responsible to record the transfer of the bin as well as the transfer of the keys in the appropriate register and also ensure that the officials sign the register.

7.3 The Chief Accountant Expenditure and Salaries must ensure that the new holder of the petty cash bin is aware of his/her responsibilities relating to the petty cash transactions as well as the contents of this policy.

7.4 For proper segregation of duties, the following:

(a) only the official delegated official may have the key to the petty cash bin;

(b) the Accountant Expenditure is responsible to place the petty cash bin in the official safe in the presence of the holder of the petty cash bin;

(c) only the Accountant Expenditure may be in possession of the combination to the safe; and

(d) a register must be kept on daily basis and signed by both parties when a petty cash bin is locked away in the safe.

7.5 The spare keys of the petty cash bin will be in possession of the Manager Finances.

7.6 The Assistant Director Treasury Office and/or the Chief Accountant Expenditure and Salaries are the only officials who are allowed to be in possession of the combination to the safe.

8. <u>OTHER</u>

8.1 The maximum amount allocated per petty cash bin will be determined from time to time by the Manager Finances, based on the operational requirements of the municipality and the risk of safeguarding petty cash bins.

8.2 When the amount per petty cash bin is increased the Accountant Expenditure must draw a cheque and encash it with the municipal bankers.

8.3 The responsible official must sign for the acceptance of the increased cash amount together with the Accountant Expenditure and be verified by the transaction control and verification section.

9. <u>PETTY CASH REPLENISHMENT</u>

9.1 Petty cash replenishments will only be done after having fully exhausted the available cash in the bins.

9.2 A proper petty cash register must be kept where each disbursement of petty cash transactions are recorded.

9.3 The minimum detail to be recorded in the petty cash register is:

(a) department name;
(b) cost centre (vote) to allocate petty cash transaction;
(c) name of vendor;
(d) date;
(e) amount issued; and
(f) name of person

9.4 The petty cash register with all petty cash vouchers, receipts or slips must be attached to the cheque and/or request for payment voucher.

9.5 The transaction control and verification section must check the petty cash float against the petty cash payment vouchers.

9.6 The cheque amount must be the difference between the petty cash float and the maximum allowable amount allocated to each petty cash bin.

10. DISBURSEMENT OF PETTY CASH

10.1 All petty cash disbursements must be completed on the prescribed petty cash voucher, authorized by the delegated official of each department as approved by Council in terms of the delegation of authorities.

10.2 The authorized official must ensure that funds are available in the budget prior the submission of claims.

10.3 An invoice or an original receipt, clearly indicating it has been paid must support the petty cash voucher.

10.4 The authorized official or delegated person must sign for the acceptance of the petty cash monies and ensure that the monies are correct. Once paid out, the Directorate Financial Services will take no responsibility if the money is not received by the originator of the transaction.

10.5 In the case where a petty cash advance was granted, the recipient of the advance must bring the invoice and/or original receipt within five (5) working days from receipt of the advance to the petty cash official from when he/she received the cash advance.

10.6 Where proof of expenditure could not be provided on petty cash advances within the prescribed period, the advance will automatically be deducted from the respective employee’s salary.

11. SHORTAGES AND LOSSES

11.1 The holder of the petty cash bins will be held accountable for losses and shortages unless there is physical evidence of breaking-in and no act or omission on the part of the relevant official contributed to the loss.

11.2 In the event of identified shortages and/or losses it must immediately be reported to the Manager Finances and be paid in by the holder of the petty cash bin(s).

12. INTERNAL CONTROLS

12.1 Surprise petty cash audits must be concluded by the transaction control and verification section throughout the financial year.

12.2 Petty cash reconciliations with the general ledger must be reconciled before 30 June of each year and the petty cash replenished to the maximum amount allowed.

13. REPORTING

13.1 A monthly reconciliation report from the holder of a petty cash must be submitted to the Manager Finances including the total amount of petty cash purchases for that month before the 20th of the following month.

14. REVIEW

This policy will be reviewed annually to be in line with municipal practices and legislation.

15. SHORT TITLE

This policy shall be called the Petty Cash Policy of the Nkangala District Municipality

NKANGALA DISTRICT MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY

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CHAPTER 1

1 Definitions

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the MFMA has the same meaning as in the MFMA.

Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include females and words importing persons shall include companies, close corporations and firms, unless the context clearly indicates otherwise.

Unless otherwise indicated, all amounts/limits stated in this document shall be deemed to be inclusive of all applicable taxes.

1.1 **"Adjudication points":** means the points for price and points for B-BBEE contribution referred to in the Preferential Procurement Regulations, 2011 and the Preferential Procurement section of this policy, also referred to as "evaluation points".

1.2 **"All applicable taxes":** includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.

1.3 **"Asset":** means a tangible or intangible resource capable of ownership.

1.4 **"B-BBEE":** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.

1.5 **"B-BBEE Status Level of Contributor":** means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.

1.6 **"Bid":** means a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals.

1.7 **"Bidder":** means any person submitting a competitive bid or a quotation.

1.8 **"Broad-Based Black Economic Empowerment Act":** means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.

1.9 **"Capital Asset":** means:

1.9.1 any immovable asset such as land, property or buildings; or

1.9.2 any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment.

1.10 **“Closing Time”:** means the time and day specified in the bid documents for the receipt of bids.

1.11 **“Comparative Price”:** means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration.

1.12 **“Competitive Bidding Process”:** means a competitive bidding process referred to in Regulation 12 (1) (d) of the Supply Chain Management Regulations.

1.13 **“Competitive Bid”:** means a bid in terms of a competitive bidding process.

1.14 **“Community Based Vendor”:** means a supplier of goods, services and/or construction works who resides in a target area or community, who meets the criteria for community based vendors as determined by the Director: Supply Chain Management from time to time, and who is registered as such on the municipality’s Supplier database.

1.15 **“Consortium”:** an association or grouping of institutions, business or financial organization, usually set up for a common purpose that would be beyond the capabilities of a single member of the group.

1.16 **“Construction Industry Development Board (CIDB) Act”:** means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.

1.17 **“Construction Works”:** means any work in connection with:

1.17.1 the erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any similar structure;

1.17.2 the installation, erection, dismantling or maintenance of a fixed plant;

1.17.3 he construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or

1.17.4 the moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.

1.18 **“Consultant”:** means a person or entity providing services requiring knowledge based expertise, and includes professional service providers.

1.19 **“Contract”:** means the agreement which is concluded when the municipality accepts, in writing, a competitive bid or quotation submitted by a supplier.

1.20 “**Contractor”:** means any person or entity whose competitive bid or quotation has been accepted by the municipality.

1.21 **"Contract participation goal":** the value of the participation of a specific target group that a contractor must achieve in the performance of a contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.

1.22 **"Day(s)":** means calendar days unless the context indicates otherwise.

1.23 "**Delegated Authority":** means any person or committee delegated with authority by the municipality in terms of the provisions of the Municipal Finance Management Act.

1.24 **"Designated sector":** means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.

1.25 **"Evaluation of Bids":** in respect of bids that exceed R200 000, shall be deemed to take place when the Bid Evaluation Committee meets to make a recommendation to the Bid Adjudication Committee.

1.26 **"Evaluation Points":** also referred to as "Adjudication Points" (see clause 1.1 above).

1.27 **"Exempted Capital Asset**": means a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section.

1.28 "**Exempted Micro Enterprise":** means a bidder with an annual total revenue of R5 million or less (in terms of the Broad-Based Black Economic Empowerment Act).

1.29 " EPWP " means an Expanded Public Works Programme

1.30 **"Final Award":** in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.

1.31 **"Firm Price":** means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.

1.32 **"Formal Written Price Quotation",** "Written Price Quotation", "Quotation" or "Quote": means a written or electronic offer to the municipality in response to an invitation to submit a quotation. Also referred to as "Bids".

1.33 **"Functionality":** means the measurement according to predetermined norms, as set out in the bid or quotation documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder. "Functionality" is also referred to as "Quality".

1.34 **"Granting of Rights":** means the granting by the municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to "transfer" or "disposal" of the asset and which includes leasing, letting, hiring out, etc, of the capital asset.

1.35 **“Green Procurement”:** is defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised.

1.36 **“Imported Content”:** means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port or entry.

1.37 **“In the service of the state”**: means:

1.37.1 a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;

1.37.2 an official of any municipality or municipal entity;

1.37.3 an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1 of 1999;

1.37.4 a member of the board of directors of any municipal entity;

1.37.5 a member of the accounting authority of any national or provincial public entity; or

1.37.6 an employee of Parliament or a provincial legislature.

1.38 **“Joint Venture or Consortium”:** means an association of persons formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The Joint Venture must be formalised by agreement between the parties.

1.39 **“Local Content”:** means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place.

1.40 **“Leaner Contractor”:** an entity established by the NDM and enrolled within its Expanded Public Works Programme (EPWP)

1.41 **“Long term Contract”:** means a contract with a duration period exceeding one year.

1.42 **“Municipality”:** means the municipality of the Nkangala District or any person(s) or committee delegated with the authority to act on its behalf.

1.43 “**Municipal Manager”:** means the Accounting Officer as defined in the Municipal Finance Management Act.

1.44 **"Municipal Asset Transfer Regulations":** means the Municipal Asset Transfer Regulations published in Government Gazette 31346 of 22 August 2008.

1.45 **"Municipal Entity":** means an entity as defined in the Systems Act.

1.46 **"Municipal Finance Management Act"** (MFMA): means the Local Government: Municipal Finance Management Act, 56 of 2003.

1.47 "**Non-compliant Contributor":** means a person who does not meet the minimum score to qualify as a status level 8 B-BBEE Contributor, or a person who is not verified in terms of the required Sector Charter.

1.48 **"Non-exempted Capital Asset":** means a municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section.

1.49 "**Non-firm Prices":** means all prices other than "firm" prices.

1.50 "**Person":** includes a natural or legal entity.

1.51 "**Policy":** means this Supply Chain Management Policy as amended from time to time.

1.52 "**Preference points":** mean the points for preference referred to in this Policy.

1.53 "**Preferential Procurement Policy Framework Act" (PPPFA):** means the Preferential Procurement Policy Framework Act, 5 of 2000.

1.54 "**Preferential Procurement Regulations":** means the regulations pertaining to the PPPFA.

1.55 "**Prime Contractor":** shall have the same meaning as "Contractor".

1.56 "**Promotion of Administrative Justice Act":** means the Promotion of Administrative Justice Act, 3 of 2000.

1.57 "**Quality": also referred to as "Functionality**" (see clause 1.34 above).

1.58 **"Rand Value":** means the total estimated value of a contract in South African currency, calculated at the time of bid invitations, and includes all applicable taxes and excise duties.

1.59 "**Republic":** means the Republic of South Africa.
1.60 **"Responsible Agent":** means either an internal project manager (being an employee of the municipality) or an external consultant (appointed by the municipality), as the case may be, who is responsible for the implementation of a project or part thereof.

1.61 "**SARS":** means the South African Revenue Services.

1.62 **"SITA":** means the State Information Technology Agency.

1.63 **"Stipulated Minimum Threshold":** means that portion of local production and content as determined by the Department of Trade and Industry.

1.64 **"Sub-contract":** means the prime contractor's assigning, leasing, making out work to, or employing, another person to support such prime contractor in the execution of part of a project in terms of the contract.

1.65 **"Sub-contractor":** means any person that is assigned, leased, employed or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.

1.66 "**Supplier/Vendor":** are generic terms which may include suppliers of goods and services, contractors and/or consultants.

1.67 "**Supplier Database":** means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of Regulation 14 of the Supply Chain Management Regulations.

1.68 "**Supply Chain Management (SCM) Regulations":** means the Municipal Supply Chain Management Regulations published in terms of the Municipal Finance Management Act.

1.69 "**Systems Act":** means the Local Government: Municipal Systems Act, 32 of 2000.

1.70 **"Targeted Labour":** means those individuals employed by a contractor, or sub-contractor, in the performance of a contract, who are defined in the contract as the target group, and who permanently reside in the defined target area.

1.71 **"Targeted Enterprises":** means those enterprises (suppliers, manufacturers, service providers or construction works contractors) that own, operate or maintain premises within the target area defined in the contract, for the purposes of carrying out their normal business operations.

1.72 "**Tender/Tenderer":** means "bid/bidder".

1.73 **"Term Bid":** means a rates based bid for the supply of goods, services or construction works, which are of an ad-hoc or repetitive nature where the individual rates are approved for use over a predetermined period of time.

1.74 **"Total Revenue":** bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act and promulgated in the Government Gazette on 9 February 2007.

1.75 **"Transaction Value":** means the actual contract value (the bid sum or price) in South African currency, inclusive of all applicable taxes in respect of the goods, services or construction works that are contracted for.

1.76 **"Treasury Guidelines":** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA;

1.77 **"Trust":** means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person.

1.78 **"Trustee":** means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.

1.79 **"Unsolicited Bid":** means an offer submitted by any person at its own initiative without having been invited by the municipality to do so.

CHAPTER 2

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2 Supply chain management policy

2.1 The principles of the supply chain management policy are that it –

2.1.1 gives effect to –

- section 217 of the Constitution; and
- Part 1 of Chapter 11 and other applicable provisions of the MFMA;

2.1.2 is fair, equitable, transparent, competitive and cost effective;

2.1.3 complies with –

- the regulatory framework prescribed in Chapter 2 of the Regulations; and
- any minimum norms and standards that may be prescribed in terms of section 168 of the MFMA;

2.1.4 is consistent with other applicable legislation including;

- the Preferential Procurement Policy Framework Act;
- the Broad-Based Black Economic Empowerment Act;
- the Construction Industry Development Board Act;
- the Local Government: Municipal Systems Act; and
- the Promotion of Administrative Justice Act

2.1.5 does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and

2.1.6 is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

2.2 The provisions of the supply chain management policy must be followed when –

2.2.1 procuring goods or services and construction works and consultant services ;

2.2.2 disposing of goods no longer needed;

2.2.3 selecting contractors to provide assistance in the provision of municipal services, otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

2.2.4 selecting external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

2.3 Unless specifically stated otherwise this Policy does not apply if the Municipality contracts with another organ of state for:

2.3.1 - the provision of goods or services to the Municipality;

2.3.2 - the provision of a municipal service; or

2.3.3 - the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement. A report shall nevertheless be submitted to the Bid Adjudication Committee seeking authority to contract with another organ of state.

3 Amendment of the supply chain management policy

3.1 The accounting officer must –

- at least annually review the implementation of this policy; and
- when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council.

3.2 If the accounting officer submits a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

3.3 When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses, must be taken into account.

3.4 The accounting officer of the municipality must take all reasonable steps to ensure that this supply chain management policy is implemented.

4 Delegation of supply chain management powers and duties

4.1 The powers and duties to be performed in respect of the implementation of supply chain management are delegated to the accounting officer –

4.1.1 to discharge the supply chain management responsibilities conferred on accounting officers in terms of

- Chapter 8 or 10 of the MFMA; and
- The supply chain management policy;

4.1.2 to maximise administrative and operational efficiency in the implementation of the supply chain management policy;

4.1.3 to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and

4.1.4 to comply with the accounting officer's responsibilities in terms of section 115 and other applicable provisions of the MFMA.

4.2 The accounting officer may not delegate or sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;

4.3 The Accounting Officer shall ensure that all persons involved in the implementation of this Policy meet the prescribed competency levels, and where necessary, shall provide relevant training.

5 Sub-delegations

5.1 The accounting officer may, in terms of section 79 of the MFMA, sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub-delegation must be consistent with paragraph 4 and sub-paragraph 5.2 of this policy.

5.2 The power to make a final award –

5.2.1 above R10 million (VAT included) may not be sub-delegated by the accounting officer;

5.2.2 above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –

- the chief financial officer;
- a senior manager; or
- a bid adjudication committee of which the chief financial officer or a senior manager is a member;

5.2.3 not exceeding R2 million (VAT included) may be sub-delegated but only to –

- the chief financial officer;
- a senior manager;
- a manager directly accountable to the chief financial officer or a senior manager; or
- a bid adjudication committee.

5.3 An official or bid adjudication committee to which the power to make final awards has been sub-delegated, must within 10 working days of the end of each month submit to the accounting officer a written report containing particulars of each final award made by such official or committee during that month, including –

- the amount of the award;
- the name of the person to whom the award was made; and
- the reason why the award was made to that person.

5.4 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 32 of this policy.

5.5 No supply chain management decision-making powers may be delegated to an advisor or consultant.

5.6 The accounting officer may not delegate or sub-delegate the authority to enter into negotiations in terms of paragraph 40 of this policy.

6 Oversight role of council

6.1 The council retains the right to oversee the implementation of this supply chain management policy.

6.1.1 Section 117 of the Municipal Finance Management Act prohibits a Municipality Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipality Councilor attend any such meeting as an observer.

6.1.2 The Executive Mayor must provide general political guidance over the fiscal and financial affairs of the Municipality and must monitor and oversee the exercise of responsibilities assigned to the Municipality Manager and chief financial officer in terms of the Municipal Finance Management Act.

6.2 For the purposes of such oversight the accounting officer must –

- within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality to the council of the municipality; or
- whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council.

6.3 The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive mayor.

6.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act.

7 Supply chain management unit

7.1 A supply chain management unit was established to implement this supply chain management policy.

7.2 The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the MFMA.

CHAPTER 3

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

8 Format of supply chain management

This supply chain management policy provides systems for –

8.1 demand management;

8.2 acquisition management;

8.3 logistics management;

8.4 disposal management; and

8.5 performance management.

Part 1: Demand management

9 System of demand management

9.1 To ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location and that the quantity and quality satisfy needs, the system of demand management includes the following:

9.2 Acquisition and disposal of all goods required to meet the strategic goals outlined in the Integrated Development Plan must be quantified, budgeted and planned to ensure timely and effective delivery, appropriate quality at a fair cost to meet the needs of the municipality and community.

9.2.1 The Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.

9.2.2 Critical delivery dates must be determined and adhered to as set out in the service delivery and budget implementation plan contemplated in section 69(3)(a) of the MFMA.

9.3 If the requirement is of a repetitive nature and there are benefits of economies of scale, a contract for a specific commodity should be arranged.

9.4 In order to compile the correct specifications an industry analysis / research must be regularly undertaken to ensure future needs and technology benefits are maximised

9.5 In order to achieve effective demand management, the Assistant Manager: Supply Chain Management shall continuously ensure:

9.5.1 That efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of services to the communities.

9.5.2 The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability.

9.5.3 The development of a world-class professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.

9.5.4 In dealing with suppliers and potential suppliers, that the Municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

9.6 Major Activities

9.6.1 Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:

9.6.1.1 establishing requirements;
9.6.1.2 determining needs; and
9.6.1.3 deciding on appropriate procurement strategies.

9.6.2 Demand management accordingly shall involve the following activities:

9.6.2.1 understanding the future needs;
9.6.2.2 identifying critical delivery dates;
9.6.2.3 identifying the frequency of the need;
9.6.2.4 linking the requirements to the budget;
9.6.2.5 conducting expenditure analyses based on past expenditure;
9.6.2.6 determining requirements,
9.6.2.7 conducting commodity analyses in order to check for alternatives; and
9.6.2.8 conducting industry analyses.

Part 2: Acquisition management

10 System of acquisition management

10.1 Through operational procedures, an effective system of acquisition management is to be established to ensure:-

10.1.1 that goods and services are procured in accordance with authorised processes only;

10.1.2 that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the MFMA;

10.1.3 that the threshold values for the different procurement processes are complied with;

10.1.4 that bid documentation, evaluation and adjudication criteria as well as general conditions of contract, are in accordance with any applicable legislation;

10.2 Application

10.2.1 This acquisition management system contains the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts, and orders for the Municipality.

10.3 Supplier Database

10.3.1 The Accounting Officer shall ensure that the Municipality's supplier database is updated at least at least once before the start of the financial yea rand shall be valid for that financial year, through newspapers commonly circulating locally, the website of the Municipality, and any other appropriate ways, invite prospective suppliers of goods and services, and any new commodities or types of services, construction works and consultant services to apply for listing as an accredited prospective supplier.

10.3.2 Prospective suppliers shall, however, be allowed to submit applications and amendments for listing on the database at any time.

10.3.4 The listing criteria for accredited prospective suppliers should be listed which include:

- Name of supplier / service provider;
- Street address;
- Postal address;
- Contact person in Sales Department;
- Sales Department's telephone number;
- Sales Department's fax number;
- Sales Department's cell number;
- Sales Department's email address;
- Contact person in Accounts Department;
- Accounts Department's telephone number;
- Accounts Department's fax number;

- Accounts Department's email address;
- Vat registration yes/no;
- Vat registration number;
- Bank details;
- Type of industry;
- Valid certification for specialised services;
- Valid tax clearance certificate;
- CIDB and CRS number registration if applicable;
- Valid certification in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor.

10.4 The Accounting Officer shall disallow the listing of any prospective supplier on the Municipality's supplier database who does not comply with the accreditation requirements based on standards, set by any relevant control bodies that govern or regulate the category of service or industry.

10.5 The Accounting Officer shall disallow the listing of any prospective supplier whose name appears on the National Treasury's List of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.

10.6 For quotations (up to and including R200 000) bidders are required to be registered on the Municipality's supplier database prior to the acceptance of their quotation (the issue of an official order) in respect of the goods or services required. Procurements above R200 000 go through a competitive bidding process.

10.7 Where bids exceed R200 000, bidders who are not registered on the Municipality's Supplier Database are not precluded from submitting bids, but must however be registered prior to the awarding of the tender.

10.8 All parties to a Joint Venture or Consortium must individually comply with the requirements of clauses 10.4 and 10.5 above.

10.9 The provisions of clause 63.1.8 will also apply to individual joint venture or consortium members

11 Range of procurement processes

11.1 The procurement of goods and services through this policy is executed by way of –

11.1.1 petty cash purchases, up to a transaction value of R2 000 (VAT included);

11.1.2 written quotations by the proposed supplier for procurement of a transaction value over R2 000 but less than R30 000 (VAT included);

11.1.3 formal written price quotations for procurement of a transaction value over R30 001 (VAT included) but less than R200 000 (VAT included); and

11.1.4 a competitive bidding process for–

- procurement above a transaction value of R200 000 (VAT included); and
- the procurement of long term contracts.
- allocation of projects to leaner contractors on the EPWP programme
- allocation of projects through the cooperatives policy

11.2 The accounting officer may, in writing:-

11.2.1 lower, but not increase, the different threshold values specified in sub-paragraph 11.1; or

11.2.2 direct that –

- written or formal written price quotations be obtained for any specific procurement of a transaction value lower than R2 000 (VAT included);
- formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000 (VAT included); or
- a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 (VAT included).

11.3 Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

12 General preconditions for consideration of written quotations, formal written price quotations or bids

12.1 A written quotation, formal written price quotation or bid may not be considered unless the provider who submitted the quotation or bid –

12.1.1 has furnished that provider's –

- full name;
- identification number or company or other registration number;
- tax reference number and VAT registration number, if any; and
- tax clearance from the South African Revenue Services that the provider's tax matters are in order; and

12.2.1 has indicated –

- whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
- if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
- whether a spouse, life partner, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to is in the service of the state, or has been in the service of the state in the previous twelve months.

13 Preferential procurement

13.1 Aim

The aim of this section of the Municipality's Supply Chain Management Policy is to give effect to, and to ensure compliance with, all applicable legislation and national directives in respect of preferential procurement and broad-based black economic empowerment.

13.1.1 The following procurement strategies are addressed in this section:

13.1.1.1 the application of a preference point system for Exempted Micro Enterprises and B-BBEE Contributors in terms of the Preferential Procurement Regulations, 2011.

13.1.1.2 the stipulation, in bid documentation, of minimum thresholds for local production and content in accordance with directives issued by the National Treasury and Department of Trade and Industry.

13.1.1.3 the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities are made available to suppliers, service providers and construction contractors of various sizes.

13.1.1.4 the use of functionality/quality, where appropriate, in procurement processes in order to ensure that goods supplied are fit for purpose, or that a minimum level of experience and competence in respect of service providers or construction contractors is attained.

13.1.1.5 the increase of employment opportunities by ensuring the use of labour intensive technologies.

13.1.1.6 the targeting of labour and/or enterprises from specific areas within the boundaries of the Nkangala Municipal area.

13.1.1.7 Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation; deduct performance from payment invoices, reduced payment cycles and good governance.

13.1.1.8 The level of B-BBEE contribution achieved by the Municipality through the application of this policy will be monitored in terms of the Supply Chain Management performance management system.

13.2 Key Principles of the Preferential Procurement System

13.2.1 The key principles of this system are:

13.2.1.1 the application of an 80/20 preference point system for procurement (competitive bids or quotations) with a Rand value of greater than R30 000 but less than or equal to R1 000 000;

13.2.1.2 the application of a 90/10 preference point system for procurement (competitive bids) with a Rand value greater than R1 000 000;

13.2.1.3 that bids may be declared non-responsive if they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.

13.2.1.4 The preference point system shall be used in the evaluation of responsive bids for the purposes of determining preferred/recommended bidders, and for the adjudication thereof.

13.2.1.5 The preference point system is not applicable to petty cash purchases.

13.3 Planning and Stipulation of Preference Point System

13.3.1 Prior to embarking on any procurement process, the Responsible Department must properly plan for, and, as far as possible, accurately estimate the cost of the goods, services or construction works for which bids are to be invited.

13.3.2 The Bid Specifications Committee shall determine the appropriate preference point system to be used in the evaluation and adjudication of bids, and shall ensure that such is clearly stipulated in the bid documentation.

13.3.3 The Bid Specification Committee shall determine whether the goods, services or construction works which are to be procured, have been designated for local production and content by the National Treasury or Department of Trade and Industry, in which case the requirements as above shall be followed.

13.4 Evaluation of Bids on Functionality (Quality)

13.4.1 Functionality (otherwise known as quality) may be included in the bid evaluation process as a qualifying (eligibility) criterion.

13.4.2 If a bid is to be evaluated on functionality, this must be clearly stated in the invitation to submit a bid, and in the bid documentation.

13.4.3 The evaluation criteria for measuring functionality must be objective.

13.4.4 When evaluating bids on functionality the:

- evaluation criteria for measuring functionality;
- weight of each criterion;
- applicable values; and
- minimum qualifying score for functionality, must be clearly stipulated in the bid document.

13.4.5 Closed bidding may be considered for contract management for specialised projects

13.4.6 If a bid fails to achieve the minimum qualifying score for functionality as indicated in the bid document, it must be regarded as non-responsive, and be rejected (not considered any further in the evaluation process).

13.4.7 Bids that have achieved the minimum score for functionality, and passed any other responsiveness tests, must be evaluated further in terms of the preference point system prescribed below.

13.5 Evaluation and Adjudication of Bids

13.5.1 An 80/20 preference point system is stipulated for bids with a Rand value of greater than R30 000, but less than or equal to R1 000 000, and a 90/10 preference point system of procurement with a Rand value of greater than R1 000 000.

13.5.2 This means that either 80 or 90 points, depending on the Rand value of the bid, will be awarded to the person who offers the lowest acceptable price, and proportionately fewer points are awarded to those with higher prices calculated as per clause Either 20 or 10 points are then available as preference points for Exempted Micro Enterprises

13.6 Enterprises or B-BBEE contributors, as applicable

Cancellation and Re-invitation of Bids

13.6.1 In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed a value of R1 000 000, the bids must be cancelled.

13.6.2 If one or more of the acceptable bids received are within the prescribed threshold of R1 000 000, all bids received must be evaluated on the 80/20 preference point system.

13.6.3 In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to, or below R1 000 000, the bids must be cancelled.

13.6.4 If one or more of the acceptable bids received are above the prescribed threshold of R1 000 000, all bids received must be evaluated on the 90/10 preference point system.

13.6.5 Bids cancelled in terms of clauses 13.6.1 and 13.6.3 above must be re-invited, with the correct preference point system clearly stipulated in the bid documents. The 80/20 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works up to a Rand Value of R1 000 000

13.6.6 The following formula must be used to calculate the points for price in respect of bids (including price quotations) with a Rand value of greater than R30 000 and up to a Rand value of R1 000 000 (all applicable taxes included):

Ps = 80 [1 – (Pt – Pmin)]
Pmin
Where :
Ps = Points scored for comparative price of the bid under consideration;
Pt = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration; and
Pmin = Comparative price (corrected, if applicable, exclusive of VAT)) of lowest responsive bid.

13.6.7 The classification used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.

13.6.8 Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below:

B-BBEE Status Level of Contributor	Number of Points for Preference
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2

Non-compliant contributor 0 or, in respect of Exempted Micro Enterprises (EMEs)

Black Ownership of EME	Deemed B-BBEE Status Contributor	Number of Points for Level of Preference
50%	3	16
50%	4	12

13.6.9 The points for preference scored by a bidder in terms of clause 13.6.8 above, must then be added to the points for price scored in terms of clause 13.6.6, in order to obtain the total number of adjudication points scored for each responsive bid.

13.6.10 Subject to paragraph 41, the contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points. The 90/10 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works with a Rand Value above R1 000 000

13.6.11 The following formula must be used to calculate the points for price in respect of bids with a Rand value above R1 000 000 (all applicable taxes included):

Ps = 90 [1 – (Pt – Pmin)]
Pmin
Where :
Ps = Points scored for comparative price of the bid under consideration;
Pt = Comparative price (corrected, if applicable, exclusive of VAT)) of the bid under consideration; and
Pmin = Comparative price (corrected, if applicable, exclusive of VAT)) of lowest responsive bid.

13.6.12 The terminology used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.

13.6.13 Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B- BBEE status level of contributor in accordance with the tables below.

B-BBEE Status Level of Contributor	Number of Points for Preference
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1

Non-compliant contributor 0 or, in respect of Exempted Micro Enterprises (EMEs)

Black Ownership of EME	Deemed B-BBEE Status Contributor	Number of Points for Level of Preference
50%	3	8
50%	4	5

13.6.14 The points for preference scored by a bidder in terms of clause 13.6.13 above, must then be added to the points for price scored in terms of clause 13.6.10, in order to obtain the total number of adjudication points scored for each responsive bid.

13.6.15 Subject to paragraph 41, the contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points.

13.7 B-BBEE Status Level Certificates

13.7.1 In order to qualify for preference points in terms of clauses 13.6.8 to 13.6.13 above, Exempted Micro Enterprises must have submitted, to the Municipality, a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984) or an accredited verification agency, confirming their status as such.

13.7.2 Bidders other than Exempted Micro Enterprises must submit, to the Municipality, their original and valid B-BBEE status levels verification certificate, or a certified copy thereof, substantiating their B-BBEE status level of contributor.

13.7.3 The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.

13.7.4 Bidders who fail to submit the required certificates, or certified copies thereof, will be deemed to be non-compliant contributors.

13.7.5 Where specific sector charters have been gazetted in terms of the B-BBEE Act, bid documentation for procurement from within such sectors, must specify that only persons verified in terms of the particular sector charter (or Code of Good Practice), or Exempted Micro Enterprises, will qualify for a preference. A status level of contributor in respect of generic Codes of Good Practice will not, in such circumstances, qualify for any preference.

13.7.6 Where no specific sector charter has been gazetted, persons other than Exempted Micro Enterprises must be verified in terms of the gazetted generic

13.8 Codes of Good Practice in order to qualify for a preference.

13.8.1 For the purposes of transparency, bidders shall, in respect of all competitive bids (over R200 000), be required to claim, in their bid submission, a preference in accordance with their B-BBEE status.

13.8.2 Notwithstanding what is contained in the bid submission, preference points will be allocated during the bid evaluation process in accordance with the verified B-BBEE status level (or deemed status level) of contributor.

13.9 Conditions Relating to the Granting of Preferences

13.9.1 Bidders must, in the manner stipulated in the bid documentation, declare that:

- the information provided is true and correct;
- the signatory to the bid document is duly authorised; and
- documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Municipality.

13.9.2 Only bidders who have completed and signed the necessary declarations may be considered.

13.9.3 The Bid Evaluation Committee must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.

13.9.4 A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.

13.9.5 A trust or joint venture will qualify for preference points for their B-BBEE status level as a legal entity, provided that the entity has submitted its verified B-BBEE status level certificate (or certified copy thereof) to the Municipality.

13.9.6 A trust or joint venture will qualify for preference points for their B-BBEE status level as an unincorporated entity, provided that the entity has submitted its consolidated B-BBEE scorecard as if it is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid.

13.9.7 The consolidated B-BBEE scorecard must be submitted in the form of a certificate issued by an accredited verification agency (or a certified copy thereof).

13.9.8 A bidder may not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that the bidder qualifies for, unless the intended sub-contractor is an Exempted Micro Enterprise that has the capability and ability to execute the sub-contract.

13.9.10 A bidder that has been awarded a contract may not sub-contract more than 25% of the value of the contract to enterprises that do not have an equal or higher B-BBEE status level than the bidder concerned, unless the sub- contractors are Exempted Micro Enterprises that have the capability and ability to execute the sub-contract. Compliance with this particular requirement must be monitored by the Responsible Agent during the execution of the contract.

13.9.11 25% of the Subcontracting is should be made compulsory to local people/companies (NDM) irrespective where the main contractor is coming.

13.9.12 If a service is required that can only be provided by tertiary institutions, such services must be procured through a bidding process from the identified tertiary institutions.

13.9.13 The tertiary institutions referred to in paragraph 13.9.11 above, must submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE

13.10 Codes of Good Practice

13.10.1 If a service is required that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a service provider/contractor must be done by means of a competitive bidding process.

13.10.2 Public entities must submit their B-BBEE status in terms of the specialized scorecard contained in the gazetted B-BBEE Codes of Good Practice.

13.11 Local Production and Content

13.11.1 The National Department of Trade and Industry is empowered to designate industry sectors, in line with national development and industrial policies for local production, where only locally produced goods, services or construction works, or locally manufactured goods that meet a stipulated minimum threshold for local production and content, may be used.

13.11.2 In the case of designated sectors, where in the award of bids, local production and content is of critical importance, such bids must be advertised with a specific condition of bidding, that only locally produced goods, services or construction works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.

13.11.3 Any instructions, circulars and guidelines issued by National Treasury in the above regard must be complied with.

13.11.4 Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods, services or construction works, or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.

13.11.5 Where necessary, for bids referred to in clauses 13.11.2 to 13.11.4, a two-stage bidding process may be followed, where the first stage involves functionality and minimum threshold for local production and content, and the second stage price and B-BBEE level of contribution, with the possibility of price negotiations only with the short listed bidder/s.

13.11.6 A person awarded a contract in relation to a designated sector, may not sub- contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

13.12 Other Specific Goals

13.12.1 Unbundling Strategies

13.12.1.1 In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.

13.12.1.2 Unbundling must however be considered in the context of:

- economies of scale being lost;
- abortive work becoming necessary;
- additional demands (not only financial) being placed on the Municipality's resources; and
- the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

13.12.1.3 Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.

13.12.1.4 It is important to note that while it is the Municipality's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parceling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

13.13 Increasing Employment Opportunities

13.13.1 One of the Municipality's key socio-economic objectives is to facilitate the creation of employment for the people of Nkangala District.

13.13.2 Increasing employment opportunities through procurement may be achieved by specifying labour intensive technologies and/or methods of construction in the bid documents.

13.13.3 It is up to Responsible Department to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labour intensive technologies and/or methods where appropriate.

13.13.4 All labour earning less than a threshold wage, determined in accordance with department of labour ministerial determination, that is employed for the provision of services or construction works for the Municipality, shall be reported in the prescribed format, on a monthly basis, to the Corporate EPWP Unit.

13.14 Targeted Labour and/or Targeted Enterprises

13.14.1 The targeting of labour and/or enterprises from specific areas within the boundaries of the Nkangala District Municipal area may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labour and/or targeted enterprises in the performance of the contract.

13.14.2 Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

13.14.3 Where a minimum contract participation goal has been specified in respect of targeted labour and/or enterprises, the contractor is obliged to meet that goal, and must be penalised if he or she does not.

13.14.4 Contract participation goals in respect of targeted labour and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.

13.15 Remedies

13.15.1 Action in Respect of Fraud or Non-performance

13.15.1.1 The Accounting Officer must, upon detecting that the B-BBEE status level of contribution has been claimed or obtained on a fraudulent basis, or that any of the conditions of the contract have not been fulfilled, act against the bidder or person awarded the contract.

13.15.1.2 The Accounting Officer may, in addition to any other remedy that he may have against the bidder or person awarded the contract:

- cancel the contract and claim any damages which the Municipality has
- disqualify the person from the bidding process;
- recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct; suffered as a result of having to make less favourable arrangements due to such cancellation; Expanded Public Works Programme
- restrict the bidder or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis and or non performance, from obtaining business from the Municipality for a period not exceeding 10 years, after the *audi alteram partem* (hear the other side) rule has been applied; and
- forward the matter for criminal prosecution.

13.16 Calculation of Penalties

13.16.1 Penalties for failure to comply with specific terms and conditions of the contract must be clearly stipulated in the bid/contract document and must be applied should the terms or conditions not be met.

13.16.2 The penalty to be applied for sub-contracting more than 25% of the value of a contract to enterprises that do not qualify for at least the preference points that the prime contractor qualified for (unless the sub-contractors are Exempted Micro Enterprises) shall be as provided for in any prescribed standard contract documentation, failing which the following formula shall be stipulated:

Penalty = 0.5 × E (%) × P*
Where:
E = The value of work (excluding VAT), executed by sub-contractors that do not qualify for at least the preference points that the prime contractor qualified for, expressed as a percentage of P*, less 25%
P* = Accepted bid sum less provisional sums, contingencies and VAT.

13.16.3 The penalty to be applied for non-compliance with a specified contract participation goal, is as follows:
Penalty = (CPG – CPG) x P* s a
Where:
CPG = The minimum Contract Participation Goals specified (expressed as a percentage).
CPG^a = The Contract Participation Goal achieved (expressed as a percentage).
P* = Accepted bid sum less provisional sums, contingencies and VAT.
Documentation

13.16.4 Within the context of preferential procurement, one of the strategies to encourage and assist entry into Local Government procurement by emerging businesses is to simplify and/or standardise bid/contract documentation wherever possible.

13.16.5 To this end, the Municipality will prepare a suite of standard documentation and, where appropriate, simplified bid/contract documents for use in the Municipality's procurement process as and where applicable.

13.16.6 Where standard bid/contract documentation is prescribed in terms of legislation (the CIDB Standard for Uniformity, for example) such standard documentation must be used for the procurement of goods, services and/or construction works, as applicable.

13.17 Guarantees for Due Performance

Main contractors must ensure insurance

13.17.1 Performance guarantees for the procurement of goods and services (including consultant services) will not generally be called for, but in exceptional circumstances, where required, will be in accordance with the limits set for construction works below.

13.17.1.1 Main contractors must ensure that when performance guarantee is required, payment of such guarantee covers the subcontractor

13.17.2 The performance guarantees required for construction works are as follows:

13.17.2.1 In respect of a Rand value less than or equal to R 500 000: 2, 5% may be waived in respect of PE / EME (that is, no performance guarantee is required);

13.17.2.2 In respect of a Rand value exceeding R 500 000, but less than or equal to R1 000 000 : 5% of the bid sum;

13.17.2.3 In respect of a Rand value exceeding R1 000 000, but less than or equal to R 10 000 000 : 10% of the bid sum; unless otherwise provided for in the standard conditions of contract prescribed.

13.17.4 In respect of Goods/ Services and professional services exceeding the R10 000 000, a 12% professional indemnity will be required

13.17.5 The value of the performance guarantee for projects above R 10 000 000 may be increased with approval of the

13.18 Retention

13.18.1 Retention for procurement of goods and services (including consultant services) will not generally be called for, but where required, will be in accordance with the limits set for construction works below:

13.18.2 The value of retention to be deducted in respect of construction works contracts shall be as follows:

- In respect of a Rand value less than or equal to R0 - R500 000 : No retention is called for;
- In respect of a Rand value exceeding R500 000, but less than or equal to R1 000 000 : 5% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period;
- In respect of a Rand value exceeding R1 000 000 : 10% of the value of work carried out with no limit, reducing by half for the duration of the defects liability period; unless otherwise provided for in the standard conditions of contract prescribed.

13.18.3 Where consultant services are to be completed at the end of the defects liability period in respect of a goods/and or services rendered, the value of this work (typically 5%) may be invoiced at the end of the project period, but shall be held as retention until the completion of the service (typically, an end of defects liability period inspection and the preparation of the final account). Alternatively, the value of this work must be budgeted for in the following financial year.

13.18.4 The above retention limits may be increased with the approval of the Accounting Officer.

13.18.5 Financial guarantees in lieu of retention are, in general, not acceptable and an Insurance of works shall be provided for all works carried out or services rendered.

13.19 Payment Terms

13.19.1 Payments for works undertaken or Gods and services rendered be paid upon receipt of correct payment

Certificate in terms of the Cash and Investment Policy of Council.

14 Petty cash purchases

14.1 Petty cash purchases means that minor items up to R2 000,00 (VAT included) may be purchased where it is impractical, impossible or not cost-effective to follow the official procurement process.

14.2 Cash advances may only be granted for petty cash expenses for delegated representatives of the municipality or upon a written quotation but in all instances a petty cash voucher should be approved by the relevant departmental head.

14.3 Officially delegated persons must agree to the deduction from his/her next remuneration any cash advances of which no proof of expenditure is presented on return from the attended event.

14.4 No road toll fees or entertainment expenses may be paid from petty cash.

14.5 A monthly reconciliation report must be provided to the chief financial officer by the official responsible for petty cash, including –

- the total amount of petty cash purchases for that month; and
- receipts and appropriate documents for each purchase.

14.6 On an ad-hoc basis, the chief financial officer shall perform reconciliations with the personnel responsible for petty cash

15 Written quotations

15.1 The conditions for the procurement of goods or services from R2 001 to R30 000, through written quotations, are as follows –

15.1.1 quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in this supply chain management policy;

15.1.2 providers must be requested to either submit or confirm such quotations in writing;

15.1.3 if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the accounting officer:

15.1.4 the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.

16 Formal written price quotations

16.1 The conditions for the procurement of goods or services through formal written price quotations valued from R30 001 to R200 000, are as follows-

16.1.1 There must be an advertisement for at least seven (7) days on the website and notice board of the Municipality

16.1.2 Evaluation must then be done based on the 80/20 principle in paragraph 12 of this policy

16.2 when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis;

16.3 the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused;

16.4 the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation, and;

16.5 the chief financial officer must set requirements for proper record-keeping of written quotations and final written price quotations.

17 Competitive bids

17.1 Goods or services above a transaction value of R200 000 (VAT included) and long-term contracts may only be procured through a competitive bidding process, with reference to paragraphs 13of this policy on Preferential Procurement; and

17.2 No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

18 Process for competitive bidding

The procedures for a competitive bidding process are as follows:

18.1 the compilation of bidding documentation;

18.2 the public invitation of bids;

18.3 site meetings or briefing sessions, if applicable;

18.4 the handling of bids submitted in response to public invitation;

18.5 the evaluation of bids;

18.6 the award of contracts;

18.7 the administration of contracts; and

18.8 proper record-keeping.

19 Bid documentation for competitive bids

19.1 The criteria to which bid documentation for a competitive bidding process must comply, must –

19.1.1 take into account –

the general conditions of contract;
- any Treasury guidelines on bid documentation; and
- the requirements of the Construction Industry Development Board (CIDB), in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- that the offer must be within range

19.1.2 include evaluation and adjudication criteria, including any criteria required by other applicable legislation;

19.1.3 compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

19.1.4 if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–

19.1.4.1
- if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements for the past three years or since their establishment if established during the past three years;

19.1.4.2
- a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

19.1.4.3
- particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

19.1.4.4
- a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

19.1.5 stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

19.2 A non-refundable charge as determined by the accounting officer shall be raised for bid forms, plans, specifications, samples and any other bid documentation, depending on the nature, magnitude and value of technical information or samples provided by the municipality.

19.3 Auditing of bidding processes for bids in excess of R 10 million (all applicable taxes included)

19.3.1 The competitive bidding process for all bids in excess of R10 million must be audited to ensure its compliance with the prescribed norms and standards.

19.3.2 The auditing process may be performed by the internal or external auditors and the audit is aimed at minimizing the risk of possible fraud, corruption and/or litigation.

19.3.3 A certificate must be issued by the auditors to the effect that all prescribed requirements have been adhered to before the contract is awarded.

20 Public invitation for competitive bids

20.1 The procedure for the invitation of competitive bids, are as follows:

20.1.1 Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate way (which may include an advertisement in the Government Tender Bulletin); and

20.1.2 the information contained in a public advertisement, must include –

- the closing date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper
- a statement that bids may only be submitted on the bid documentation provided by the municipality; and
- the date, time and venue of any proposed site meetings or briefing sessions.

20.2 The accounting officer may determine a closing date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

20.3 The closing date may be extended if requested by a minimum of 50% of the bidders on approval by the Municipal Manager.

20.4 Bids submitted must be sealed.

20.5 Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

21 Procedure for handling, opening and recording of bids

The procedures for the handling, opening and recording of bids, are as follows:

21.1 All bids –

- must be opened only in public; and
- must be opened at the same time and as soon as possible after the period for the submission of bids has expired;

21.2 the bid/proposal shall be stamped with the official stamps, and endorsed with the opening official's signature;

21.2 the name of the bidder, and where possible, the bid sum shall be recorded in a bid opening record kept for that purpose; and

21.3 the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record.

21.4 Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price (except where two-envelope is involved); and

21.5 The accounting officer must –

- record in a register all bids received in time;
- make the register available for public inspection; and
- publish the entries in the register and the bid results on the website.

22 Two-stage bidding process

22.1 A two-stage bidding process is allowed for –

22.1.1 large complex projects;

22.1.2 projects where it may be undesirable to prepare complete detailed technical specifications; or

22.1.3 long term projects with a duration period exceeding three years.

22.2 In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

22.3 In the second stage final technical proposals and priced bids should be invited.

23 Two Envelope System

23.1 A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated.

23.2 Validity Periods

23.2.1 The period for which bids are to remain valid and binding must 150 days and must be indicated in the bid documents.

23.2.2 The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.

23.2.3 This period of validity may be extended by the Accounting Officer, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing.

23.2.4 Bidders who fail to respond to such a request before the validity of their bid expires, or who decline such a request shall not be considered further in the bid evaluation process.

23.2.5 The Accounting Officer must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the 21 day appeal period

23.2.5 In the event that an appeal is received, the validity period is deemed to be extended until finalisation of the appeal.

24 Contract Price Adjustment

24.1 Contract price adjustment shall only be applicable if specified in the contract and only for long term contract and must be specified in the bid documents.

24.2 In general, if contract periods do not exceed one year, the bid shall be fixed price bid and not subject to contract price adjustment.

24.3 If the bid validity period is extended, then contract price adjustment may be applied.

24.4 Contract price adjustment shall be implemented in accordance with the general conditions of contract

25 Contracts providing for Compensation Based on Turnover

25.1 If a service provider acts on behalf of the Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage

25.2 of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate;

25.3

a cap on the compensation payable to the service provider; and

25.4

that such compensation must be performance based.

26 Samples

26.1 Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents.

26.2 Bids may not be included in parcels containing samples.

26.3 If samples are not submitted as required in the bid documents or by the closing date within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.

26.4 Samples shall be supplied by a bidder at his/her own expense and risk. The Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.

26.5 If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

27 Closing of Bids

27.1 Bids shall close on the date and at the time stipulated in the notice.

27.2 For bids (excluding quotations) for goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.

27.3 For bids (excluding quotations) for construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.

27.4 Notwithstanding the above, if the estimated contract value exceeds R10 million, or if the contract is of a long term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty) days after publication of the notice.

27.5 For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.

27.6 For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.

27.7 The bid closing date may be extended by the Accounting Officer if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the print media and website of the municipality prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the Accounting Officer, and a notice to all bidders to this effect shall be issued.

27.8 The Accounting Officer may determine a closing date for the submission of bids which is less than any of the periods specified in clauses above, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

28 Communication with bidders before bid closing

28.1 The Accounting Officer or his/her nominee may, if necessary, communicate with bidders prior to bids closing.

28.2 Such communication shall be in the form of a notice issued to all bidders by the Accounting Officer, by either e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible.

28.3 Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures above have been complied with.

28.4 **Late Bids**

28.4.1 Bids or quotations arriving after the specified closing time shall not be considered and where practicable and cost effective shall be returned to the bidder unopened with a letter explaining the circumstances.

28.4.2 Where it's necessary to open a late bid or quotation to obtain the name and address of the sender, each page of the document shall be stamped "late bid" before the bid is returned to the bidder. The envelope must be stamped and initialed in like manner and must be retained for record purposes

28.5 **Amendment of bids before closing**

28.5.1 The Municipality is entitled to amend any bid condition, validity period, specifications or plan, or extend the closing date of such a bid or quotation before the closing date, provided that such amendments or extensions are advertised and/or that all bidders to whom bid documents have been issued, are advised in writing per registered post or by fax of such amendments or of the extension clearly reflecting the new closing date and time. For this reason, employees issuing bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued

28.6 **Dealing with bids and quotations if the closing date thereof has been extended**

28.6.1 Where the closing date of a bid or quotation is extended, the notice which makes known such extensions shall also mention the bids or quotations already received, will be retained unopened in the bidding box and be duly considered after the expiry of the extended period, unless the bidder requests that such bid or quotation to be returned to the bidder or unless the bidder cancels it by submitting a later dated bid or quotation before the extended closing date.

28.7 **Amendments after closing date**

28.7.1 No amendments after the closing date allowed. The municipality is not entitled to amend any bid condition, validity period, specification or plan after the closing date of the bid and before the acceptance of a bid or quotation has been notified.

29 **Opening of Bids where a Two Envelope System (consisting of a technical proposal and a financial proposal) is followed**

29.1 If a two envelope system is followed, only the technical proposal will be opened at the bid opening.

29.2 The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.

29.3 When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening official.

29.4 All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.

29.5 Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard.

29.6 After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official shall acknowledge receipt thereof by signing the bid opening record.

30 Bid Sum

30.1 A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.

30.2 All rates, with the exception of rates only bids and proprietary information are confidential and shall not be disclosed.

31 Committee system for competitive bids

31.1 The following committees should be in place –

31.2 bid specification committees;

31.3 a bid evaluation committee; and

31.4 a bid adjudication committee;

31.5 The accounting officer appoints the members of each committee, taking into account section 117 of the MFMA; and

31.6 The accounting officer must provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.

31.7 The committee system must be consistent with –

31.8 Paragraphs 34, 35,36, 37 and 38 of this policy; and any other applicable legislation.

31.9 The accounting officer may apply the committee system to formal written price quotations.

32 Bid specification committees

32.1 The appropriate bid specification committee must, depending on the department involved, compile the specifications for each procurement of goods or services by the municipality.

32.2 Specifications –

32.2.1 must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

32.2.2 must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;

32.2.3 where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

32.2.4 may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;

32.2.5 may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

32.2.6 must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2011 and paragraph 9 of this policy; and

32.2.7 must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 21 of this policy.

32.2.8 Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient

32.3 The bid specification committee appointed by the accounting officer or his delegated authority, taking into account section 117 of the MFMA, must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved as well as at least one Supply Chain Management practitioner of the municipality, and may, when appropriate, include external specialist advisors.

32.3.1 Where appropriate a representative of Internal Audit and/or Legal Services and/or other specialist advisors (internal or external) may form part of this committee.

32.4 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

32.4.1 Green procurement must be incorporated as far as reasonable possible, for all specifications of goods, services and construction works.

32.4.2 In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.

32.4.3 Bid Specification Committee meetings must be conducted in accordance with the applicable Terms of Reference, Rules of Order and Implementation Guidelines Regulating the Conduct of Meetings of Bid Specification, Evaluation and Adjudication Committees

33 Bid evaluation committees

33.1 The bid Evaluation Committee appointed by the accounting officer or his delegated authority taking into account.

33.2 The Bid Evaluation Committee shall be comprised of at least three Municipality Officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one Supply Chain Management Practitioner of the Municipality.

33.3 The Municipality Manager, or his delegated authority, shall, taking into account section 117 of the MFMA, appoint the members of the Bid Evaluation Committees.

33.4 Bid Evaluation Committee meetings must be conducted in accordance with the applicable. Terms of Reference, Rules of Order and Implementation Guidelines Regulating the Conduct of Meetings of Bid Specification, Evaluation and Adjudication Committees.

34 Bid Evaluation

34.1 The Responsible Department shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.

34.2 Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:

- whose bid was endorsed as being invalid by the Municipality official presiding over the bid opening;
- whose bid does not comply with the provisions for combating abuse of this policy;
- who has failed to submit a certificate of independent bid determination, either with the bid, or within such time for submission stated in the Municipality's written request to do so.
- whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
- whose bid is not in compliance with the specification;
- whose bid does meet the minimum score for functionality, if applicable;
- whose bid is not in compliance with the terms and conditions of the bid documentation;
- who is not registered and verified on the Municipality's supplier database;
- who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;
- who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and who fails to comply with any applicable Bargaining Council agreements.

35 Bids shall be evaluated according to the following as applicable:

- Firstly functionality i.e. the bidder's ability to execute the contract; then:
- bid price, excluding VAT (corrected if applicable and brought to a comparative price where necessary),
- the unit rates and prices,
- any qualifications to the bid,
- the bid ranking obtained in respect of preferential procurement as required by this Policy,
- the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
- any other criteria specified in the bid documents.

35.1 No bidder may be recommended for an award unless the bidder has demonstrated that it has the necessary resources and skills required to fulfill its obligations in terms of the bid document.

35.2 The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.

35.3 Additional information or clarification of bids may be called for if required but only in writing.

35.4 Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. The Municipality shall not be bound to consider alternative bids.

35.5 If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the Bid Adjudication Committee.

35.6 Adjudication points calculated in terms of the preference point system described in this policy must be rounded off to the nearest two decimal places.

35.7 The responsive bid that scores the highest number of adjudication points must be recommended for acceptance unless objective criteria, in addition to those specific goals contemplated in section 2 of the PPPFA, justify the acceptance of another bid

35.8 If, after bids have been brought to a comparative price, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest number of preference points for B- BBEE.

35.9 When functionality is part of the evaluation process and two or more bids have scored equal points, including equal preference points for B-BBEE, the recommended bidder shall be the one scoring the highest score for functionality.

35.10 All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

36 Recommendation to Bid Adjudication Committee

36.1 The Bid Evaluation Committee shall, having considered the Responsible Department's draft bid evaluation report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

37 Bid Adjudication

37.1 The Municipality shall not be obliged to accept any bid.

37.2 For goods and services bids, the Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.

38 Bid Adjudication Committee

38.1 The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:

38.1.1
- the Chief Financial Officer or, if the chief financial officer is not available, another senior finance official heading either of the budget or treasury offices, reporting directly to the chief financial officer and designated by the chief financial officer; and

38.1.2 • at least one senior supply chain management practitioner of the Municipality; and

38.1.3 • a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.

38.2 The Accounting Officer shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.

38.3 Neither a member of a Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

39 Adjudication and Award

39.1 The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a recommendation to the Accounting Officer on how to proceed with the relevant procurement.

40 Negotiations with preferred bidders

40.1 The accounting officer may, subject to paragraph 4.5 of this policy, negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

40.1.1 does not allow any preferred bidder a second or unfair opportunity;

40.1.2 is not to the detriment of any other bidder; and

40.1.3 does not lead to a higher price than the bid as submitted.

40.1.4 Minutes of such negotiations must be kept for record purposes

41 Approval of Bid not Recommended

41.1 If a Bid Adjudication Committee decides to recommend a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to recommending the bid:

41.1.1 check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;

42.1.2 check in respect of the preferred bidder that it has the necessary resources and skills required to fulfill its obligations in terms of the bid document.

42.1.3 notify the Accounting Officer.

42 The Accounting Officer may:

42.1 after due consideration of the reasons as pointed per clause 41.1. above, accept or reject the decision of the Bid Adjudication Committee referred to above.

42.1.2 If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.

42.2 If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Accounting Officer must, in writing and within ten working days, notify the Auditor-General, the Provincial and the National Treasury of the reasons for deviating from such recommendation.

43.3 The requirement of above does not apply if a different bid was approved in order to rectify an irregularity.

43 Reconsideration of Recommendations

43.1 The Accounting Officer may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.

44 Resolution of disputes, objections, complaints and queries

44.1 The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

44.1.1 To assist in the resolution of disputes between the municipality and other persons regarding –

- any decisions or actions taken in the implementation of the supply chain management system; or
- any matter arising from a contract awarded in the course of the supply chain management system.

44.2 The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively

44.3 The person appointed must –

44.3.1 strive to resolve promptly all disputes, objections, complaints or queries received; and

44.3.2 submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

44.4 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

44.4.1 the dispute, objection, complaint or query is not resolved within 60 days; or

44.4.2 no response is forthcoming within 60 days.

44.5 If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

44.6 This paragraph must not be read as affecting a person's rights to approach a South African court of law at any time.

45 Procurement of banking services

45.1 Subject to section 33 of the Municipal Finance Management Act, any contract for the provision of banking services –

45.1.1 must be procured through competitive bids;

45.1.2 must be consistent with section 7 or 85 of the MFMA; and

45.1.3 may not be for a period of more than 5 years at a time.

45.2 Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990.

45.3 The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

45.4 The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 21.1. Bids must be restricted to banks registered in terms of the Banks Act 94 of 1990.

46 Procurement of IT related goods or services

46.1 The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

46.2 Both parties must enter into a written agreement to regulate the services rendered by, as well as the payments to be made to, SITA.

46.3 The accounting officer must notify SITA together with a motivation of the IT needs if –

46.3.1 the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

46.3.2 the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

46.4 If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

47 Procurement of accommodation for seminars and conferences

47.1 The accounting officer may procure accommodation for council business on attendance of conferences/seminars/workshop/meetings outside the District in the following manner:

47.2 Where feasible, three quotations must be sought for accommodation within a reasonable radius from the seminar/meeting/workshop or conference venue. The ruling is in the spirit of not getting a venue that is too far from the conference venue as this can result in getting accommodation too far from the venue.

48 Procurement of goods and services under contracts secured by other organs of state

48.1 The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

48.1.1 the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

48.1.2 there is no reason to believe that such contract was not validly procured;

48.1.3 there are demonstrable discounts or benefits to do so; and

48.1.4 that other organ of state and the provider have consented to such procurement in writing.

49 Procurement of goods necessitating special safety arrangements

49.1 The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

49.2 Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

50 Public-Private Partnerships

50.1 Part 2 of chapter 11 of the MFMA applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will have multi-year budgetary implications for the Municipality within the meaning of that section.

51 Publications in the Media

51.1 In respect of any contract relating to the publication of official and legal notices and advertisements in the media by or on behalf of the Municipality, there is no requirement for a competitive bidding process to be followed.

52 Community Based Vendors

52.1 The Head of Supply Chain Management may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R30 000 (including construction works). Range of Procurement Processes

52.2 Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below

53 Proudly SA Campaign

53.1 The Proudly SA Campaign is supported to the extent that, all things being equal, preference is given to procuring local goods and services from:

53.1.1 Firstly – suppliers and businesses within the municipality or district;

53.1.2 Secondly – suppliers and businesses within Mpumalanga;

53.1.3 Thirdly – suppliers and businesses within the Republic of South Africa.

53.1.4 The principles set out in sub-paragraph 54.1 must be reflected in the preferential procurement points.

54 Appointment of consultants

54.1 When evaluating bids for the rendering of consultancy services to the council, functionality shall be considered before price.

54.2 The accounting officer may procure consulting services provided that any Treasury guidelines and CIDB requirements in respect of consulting services are taken into account when such procurements are made.

54.3 Consultancy services must be procured through competitive bids if-

54.3.1 the value of the contract exceeds R200 000 (VAT included); or

54.3.2 the duration period of the contract exceeds one year.

54.4 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:

54.4.1 all consultancy services provided to an organ of state in the last five years; and

54.4.2 any similar consultancy services provided to an organ of state in the last five years.

54.5 The accounting officer must ensure that copyright in any document produced, as well as the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

54.6 Appointment of panel of consultants be for period of two years, but incompliance with sec 33 of MFMA

54.7 The following criteria are used to evaluate bids for the rendering of consultancy services to the council:

Description of quality criteria and sub-criteria		Maximum number of bid evaluation points	
Specific project applicable expertise			20
*	Infrastructure of firm	10	
	Specific project experience by proposed team	10	
Approach and methodology (Work Plan)			20
	Understanding of the terms of Reference / Brief	5	
*	Approach and Work Plan	15	
Track Record (Average of previous three projects of Company where proposed Project Team Manager was involved)			30
*	Completion of assignment on time	8	
	Quality of work and accuracy reports submitted	6	
*	Response and attendance of meetings	6	
*	Communication with stakeholders	5	
	Application & adherence of conditions of contract	5	

55 Procurement of catering services

55.1 Catering cost be determined by the Accounting Officer annually there will be 3-4 caterers that will be there only for emergency purposes

56 Procurement of Assets

56.1 Procurement of assets should be compliance of relevant legislations

57 Deviation from, and ratification of minor breaches of, procurement processes

57.1 The accounting officer may –

57.1.1 dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- in an emergency;

- if such goods or services are produced or available from a single provider only;
- for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

57.1.2 ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

57.2 The accounting officer must record the reasons for any deviations in terms of sub-paragraphs 55.1.1 and 55.1.2 of this policy and report them to the next meeting of the council and include it as a note to the annual financial statements.

55.3 Paragraph 55.2 does not apply to the procurement of goods and services contemplated for water and electricity from DWA and ESKOM respectively.

56 Emergency Dispensation

56.1 The conditions warranting Emergency dispensation should include the existence of one or more of the following:

56.1.1 - the possibility of human injury or death;

56.1.2 - the prevalence of human suffering or deprivation of rights;

56.1.2 - the possibility of damage to property, or suffering and death of livestock and animals;

56.1.3 - the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;

56.1.4 - the possibility of serious damage occurring to the natural environment;

56.1.5 - the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and

56.1.6 - the possibility that the security of the state could be compromised.

56.1.7 - The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.

56.1.8 - Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted, via the Bid Adjudication Committee, to the Municipality Manager for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the Municipality Manager as soon as possible thereafter.

57 Unsolicited bids

57.1 In accordance with section 113 of the MFMA there is no obligation to consider unsolicited bids received outside a normal bidding process.

57.2 The accounting officer may decide in terms of section 113(2) of the MFMA to consider an unsolicited bid, only if:–

57.2.1 the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

57.2.2 the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the municipality and the community;

57.2.3 the person who made the bid is the sole provider of the product or service; and

57.2.4 the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

57.3 If the accounting officer decides to consider an unsolicited bid that complies with sub-paragraph 57.2, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with

57.3.1 reasons as to why the bid should not be open to other competitors;

57.3.2 an explanation of the potential benefits if the unsolicited bid were accepted; and

57.3.3 an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

57.4 All written comments received pursuant to sub-paragraph 57.3, including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.

57.5 The bid adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

57.6 A meeting of the bid adjudication committee to consider an unsolicited bid must be open to the public.

57.7 When considering the matter, the bid adjudication committee must take into account –

57.7.1 any comments submitted by the public; and

57.7.2 any written comments and recommendations of the National Treasury or the relevant provincial treasury.

57.8 If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor-General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following such recommendations.

57.9 Such submission must be made within 7 days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

58 Combating of abuse of supply chain management system

The following measures are established to combat the abuse of the supply chain management system:

58.1 The accounting officer must–

58.1.1 take all reasonable steps to prevent abuse of the supply chain management system;

58.1.2 investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this supply chain management policy and, when justified –

- take appropriate steps against such official or other role player; or
- report any alleged criminal conduct to the South African Police Service;

58.1.3 check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;

58.1.4 reject any bid from a bidder –

- if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
- who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that its performance was unsatisfactory;

58.1.5 reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

58.1.6 cancel a contract awarded to a person if –

- the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
- an official or other role-player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

58.1.7 reject the bid of any bidder if that bidder or any of its directors –

- has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
- has been convicted for fraud or corruption during the past five years;
- has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
- has been listed in the Register for Tender Defaulters in terms section 29 of the Prevention and Combating of Corrupt Activities Act 12 of 2004.

58.1.8 reject the bid of any bidder tendering as part of a joint-venture, whose bid otherwise be rejected individually or otherwise.

58.2 The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of sub-paragraphs 58.1.7 of this policy.

Part 3: Logistics, Disposal, and Performance Management

59 Logistics management

59.1 The accounting officer must implement an effective system of logistics management which must include the following:

59.1.1 monitoring of spending patterns on types or classes of goods and services which should, where practical, incorporate the coding of items to ensure that each item has a unique number for the purposes of monitoring;

59.1.2 setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

59.1.3 placing of manual or electronic orders for all acquisitions other than petty cash;

59.1.4 before payment is approved, certification from the responsible officer that the goods and services have been received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted or in terms of a contract;

59.1.5 appropriate standards of internal control and warehouse management to ensure goods placed in stores are secure and only used for the purpose for which they were purchased;

59.1.6 regular checking to ensure that all assets, including official vehicles, are properly managed, appropriately maintained and only used for official purposes; and

59.1.7 monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for a particular good or service.

60 Transport Management

60.1 The Municipality's fleet management policy must be adhered to at all times.

61 Vendor Performance

61.1 The accounting system will enable system-based evaluation, based on the vendors' performance with regard to certain pre-determined criteria.

61.2 This information will be available for future evaluation purposes, contract negotiations and regular feedback to the vendors.

62 Contract Administration

62.1 Contract administration includes all administrative duties associated with a contract that has arisen through one of the acquisition/procurement processes described in this policy.

62.2 All contracts must be administered by a contract manager, who will be an internal official assigned to ensure the effective administration of the contract. The contract manager will typically be the internal project manager assigned to the project as a whole, but may also be a cost centre owner or other responsible official.

62.3 A contract manager must be assigned to each contract and, where possible, should be involved from the earliest stages of the acquisition process.

62.4 The contract manager's duties and powers shall be governed by the conditions of contract and the general law.

62.5 In administering a contract, the contract manager will be required to form opinions and make decisions which, while in the Municipality's best interests, must be fair to all parties concerned.

62.6 Departmental Heads (Directors) shall be responsible for ensuring that contract managers:

62.6.1 - are assigned to all contracts within the Department Head's area of responsibility;

62.6.2 - are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.

62.6.3 The contract manager shall:

62.6.4 ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to;

62.6.5 ensure that contracts related to the procurement of goods and services are captured on the Municipality's accounting system in the form of a price schedule;

62.6.6 ensure that all original contract documentation is lodged with the Supply Chain Management Department for record purposes;

62.6.7 monitor the performance of the contractor in order to ensure that all of the terms and conditions of the contract are met;

62.6.8 where necessary, take appropriate action where a contractor is underperforming or is in default or breach of the contract;

62.6.9 where appropriate, authorise payments due in terms of the contract by processing payment certificates (if applicable), and ensuring that the necessary Service Entry Sheets or Goods Received Notes are captured on the Municipality's accounting system;

62.6.10 manage contract variation or change procedures;

62.6.11 administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;

62.6.12 conduct, as appropriate, post contract reviews;

62.6.13 maintain adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;

62.6.14 act with care and diligence and observe all accounting and legal requirements.

63 Disposal management

The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the MFMA, are as follows:

63.1.1 Movable assets:

63.1.1.1 the asset is uneconomical to repair;
63.1.1.2 the asset is irreparable;
63.1.1.3 the relevant department has no further use for the asset; and
63.1.1.4 no other department requires the asset.

63.1.2 Immovable assets:
63.1.2.1 the relevant department has no further use for the asset;
63.1.2.2 no other department requires the asset;
63.1.2.3 a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community; or
63.1.2.4 where the assets were specifically created for the sale or rental thereof to the public.

63.2 The disposal of assets must–
be by one of the following methods:

63.2.1 transferring the asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;
63.2.2 transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
63.2.3 selling the asset; or
63.2.4 destroying the asset;
63.2.5 trading in the asset.

provided that –

63.2.6 immovable property may be sold only at market-related prices except when the public interest or the plight of the poor demands otherwise;
63.2.7 movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market-related prices, whichever is the most advantageous;
63.2.8 in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
63.2.9 in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic

63.3 When letting or disposing of an asset it must be ensured that –

63.3.1 *immovable* property is let at market-related rates except when the public interest or the plight of the poor demands otherwise;
63.3.2 all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and
63.3.3 where assets are traded in for other assets, the highest possible trade-in price is negotiated.

64 Transfer or Permanent Disposal of Assets and the Granting of Right

64.1 Non-exempted capital assets shall be transferred or permanently disposed of strictly in accordance with Chapter 2 of the Municipal Asset Transfer Regulations.

64.2 Exempted capital assets shall be transferred strictly in accordance with Chapter 3 of the Municipal Asset Transfer Regulations.

64.3 The granting of rights (where sections 14 and 90 of the MFMA do not apply) by the Municipality, shall be executed strictly in accordance with Chapter 4 of the Municipal Asset Transfer Regulations.

65 Performance management

65.1 The accounting officer must ensure that an effective internal monitoring system is implemented in order to determine, on the basis of retrospective analysis, whether the authorised supply chain management processes were followed and whether the measurable performance objectives linked to and approved with the budget and the service delivery and budget implementation plan, were achieved.

65.2 Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:

- value for money has been attained;
- proper processes have been followed;
- desired objectives have been achieved;
- there is an opportunity to improve the process;
- suppliers have been assessed and what that assessment is; and
- there has been deviation from procedures and, if so, what the reasons for that deviation are.

65.3 The performance management system shall accordingly focus on, amongst others:

- achievement of goals;
- compliance to norms and standards;
- savings generated;
- cost variances per item;
- non-compliance with contractual conditions and requirements; and
- the cost efficiency of the procurement process itself.

Part 4: Other matters

66 Prohibition on awards to persons whose tax matters are not in order

66.1 The accounting officer must ensure that, irrespective of the procurement process followed, no award is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

66.2 Before making an award to a provider or bidder, a tax clearance certificate from South African Revenue Service must first be provided as contemplated in paragraph 12.1.1.

67 Prohibition on awards to persons in the service of the state

The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person –

67.1 who is in the service of the state; or

67.2 if that person is not a natural person, of which any director, manager, majority shareholder or majority stakeholder is a person in the service of the state; or

67.3 who is an advisor or consultant contracted with the municipality in respect of a contract that would cause a conflict of interest.

68 Awards to close family members of persons in the service of the state

68.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person who is a spouse, life partner, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

68.1.1 the name of that person;

68.1.2 the capacity in which that person is in the service of the state; and

68.1.3 the amount of the award.

69 Ethical standards

69.1 A code of ethical standards is in place, for officials and other role players in the supply chain management system in order to promote –

69.1.1 mutual trust and respect; and

69.1.2 an environment where business can be conducted with integrity and in a fair and reasonable manner.

69.2 An official or other role player involved in the implementation of the supply chain management policy –

69.2.1 must treat all providers and potential providers equitably;

69.2.2 may not use his/her position for private gain or to improperly benefit another person;

69.2.3 may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;

69.2.4 notwithstanding sub-paragraph 69.2.3, must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

69.2.5 must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the municipality;

69.2.6 must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

69.2.7 must be scrupulous in his/her use of property belonging to the municipality;

69.2.8 must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

69.2.9 must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –

- any alleged fraud, corruption, favoritism or unfair conduct;
- any alleged contravention of paragraph 70.1 of this policy; or
- any alleged breach of this code of ethical standards.

69.3 Declarations in terms of paragraphs 71 must be declared to the accounting officer

69.3.1 must be recorded in a register which the accounting officer must keep for this purpose;

69.3.2 by the accounting officer must be made to the executive mayor who must ensure that such declarations are recorded in the register.

69.4 The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".

69.5 A breach of the code of conduct adopted by the municipality must be dealt with in accordance with Schedule 2 of the Local Government: Municipal Systems Act 32 of 2000.

70 Inducements, rewards, gifts and favours to municipalities, officials and other role players

70.1 No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

70.1.1 any inducement or reward to the municipality for or in connection with the award of a contract; or

70.1.2 any reward, gift, favour or hospitality to –

- any official; or
- any other role player involved in the implementation of the supply chain management policy.

70.2 The accounting officer must promptly report any alleged contravention of sub-paragraph 70.1.2 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

70.3 Sub-paragraph 70.1 does not apply to gifts less than R350 in value.

71 Sponsorships

The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

71.1 a provider or prospective provider of goods or services; or

71.2 a recipient or prospective recipient of goods disposed or to be disposed.

72 Objections and complaints

72.1 Persons aggrieved by decisions or actions taken in the implementation of the supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action, at the office of the accounting officer.

73 Resolution of disputes, objections, complaints and queries

73.1 The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

73.1.1 To assist in the resolution of disputes between the municipality and other persons regarding –

- any decisions or actions taken in the implementation of the supply chain management system; or
- any matter arising from a contract awarded in the course of the supply chain management system.

73.1.2 to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

73.2 The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

73.3 The person appointed must –

73.3.1 strive to resolve promptly all disputes, objections, complaints or queries received; and

73.3.2 submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

73.4 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

73.4.1 the dispute, objection, complaint or query is not resolved within 60 days; or

73.4.2 no response is forthcoming within 60 days.

73.5 If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

73.6 This paragraph must not be read as affecting a person's rights to approach a South African court of law at any time.

74 Contracts providing for compensation based on turnover

If a service provider acts on behalf of the municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –

74.1 a cap on the compensation payable to the service provider; and

74.2 that such compensation must be performance-based.

75 Payment of sub-contractors or joint venture partners

The chief financial officer or an official designated by the chief financial officer may consent to the direct payment of sub-contractors or joint venture partners by way of:

75.1 an approved cession; or

75.2 an agreement for direct payment.

76 Extending or varying a contract

76.1 Subject to sub-paragraph 76.2, the municipality on its own initiative or upon receipt of an application from the person, body, organisation or corporation supplying goods or services to the municipality in terms of this policy, may resolve to extend or vary a contract if:-

76.1.1 the circumstances as contemplated in paragraph 55.1.1 prevail; or

76.1.2 with due regard to administrative efficiency and effectiveness, the accounting officer deems it appropriate.

76.2 The municipality may not extend or vary a contract:-

76.2.1 more than once;

76.2.2 for a period exceeding the duration of the original agreement; or

76.2.3 for an amount exceeding 20 percent of the original bid value for construction related goods, services and or infrastructure project and 15 percent for all other goods and or services

76.3 Within 1 month of the decision referred to in sub-paragraph 77.1, the matters specified in sub-paragraph 77.4 must be:-

76.3.1 published by the municipality at least in an appropriate newspaper circulating within the boundaries of the municipality; and

76.3.2 displayed on the notice board of the municipality.

76.4 The matters to be published or displayed are:-

76.4.1 the reasons for dispensing with the prescribed procedure;

76.4.2 a summary of the requirements of the goods or services; and

76.4.3 the details of the person, body, organisation or corporation supplying the goods or services.

NKANGALA DISTRICT MUNICIPALITY

("The Municipality")

TARIFF POLICY

INDEX

1. DEFINITIONS

"Basic municipal services" mean a Municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety or the environment.

"Council" refers to the Nkangala District Municipality and its successors in law and includes the Council of that Municipality or its Executive Committee or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee has delegated any powers and duties with regard to this policy.

"Municipal area" means the area in respect of which the Nkangala District Municipality has executive and legislative authority as determined by the constitution and the National legislation and demarcated in terms of the Demarcation Act (Act 27 of 1998).

"Tariff policy" means a policy on, the levying of fees, rates for the Municipal services provided by the Municipality itself, which complies with the Municipal Systems Act, 2000.

2. GENERAL INTRODUCTION AND OBJECTIVE

2.1 A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for Municipal services provided by the Municipality itself or by way of service delivery agreements.

2.2 The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 of Municipal Systems Act, 2000 (Act No. 32 of 2000).

2.3 In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

2.4 The tariffs policy has been complied to ensure that Municipal services are financially sustainable, affordable and equitable

2.5 And that there is consistency in how tariffs are applied throughout the Municipality

3. GENERAL PRINCIPLES

3.1 Service tariffs imposed by the Municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability to pay of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the Municipality from time to time). However when setting the tariffs the Council shall consider the impact, which the proposed increases in service charges will have on the monthly Municipal accounts of households in the Municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the increases concerned, the Council shall ensure that the additional impact of such increases is in keeping with the relevant increase in the consumer price index.

3.2 The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the Municipal region.

3.3 The Municipality shall develop, approve and at least annually review an indigent support programme for the Municipal area. This programme shall set out clearly the Municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the Municipal region. This paragraph is only to be implemented once an indigent support policy has been adopted by Council.

3.4 In line with the principles embodied in the Constitution and in other legislation pertaining to Local Government, the Municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

3.5 The Municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

3.6 The Municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

3.7 The Municipality also undertakes to render its services cost effectively in order to ensure the most economical cost of service delivery concerned; and another directly related to the consumption of the service in question.

4. CATEGORIES OF CONSUMERS

4.1 Separate tariff structure may be imposed for the following categories of consumers:

a) Domestic consumers

b) Business consumers

i) Commercial consumers

ii) Industrial consumers

iii) Agricultural consumers

c) Consumers with whom special agreements were made

d) Consumers in certain geographical areas

e) Educational institution

f) Welfare organisations

5. NEED FOR A TARRIFF POLICY

5.1 The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must fully utilize the available sources of revenue to meet its development objective.

5.2 Financial sustainability requires that the Municipality must ensure that its budget balances, services are provided at affordable levels and it is able to recover the cost of services delivery.

5.3 Effective and efficient usage of resources, this means that Municipality must use the resources in the best possible ways to reap the maximum benefits for the community.

5.4 Budget and Financial affairs of the Municipality must be open to public scrutiny, in accordance with section 22 of the Municipal Finance Management Act no 53 of 2003. The community should be part of the decision making process about how revenue is raised and spent.

6. IMPLEMENTATION OF TARIFFS POLICY

6.1 The Municipality like any other business enterprise is subject to continuous price increase in the goods, material and other resources that it uses to perform its function.

6.2 Tariffs represent the charges levied by the council on consumers for the utilization of services provided by the Municipality. Tariffs maybe calculated in a various different ways, dependent upon the nature of the services that are provided.

6.4 The Municipality must take into account consumers that cannot afford to pay for the services that are been rendered by the Municipality.

7. MISCELLANEOUS TARIFFS

7.1 Where at all possible all miscellaneous tariffs relating to the Municipality will be standardised.

7.2 All minor tariffs shall be approved by the Council in each annual budget.

7.3 All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

7.4 The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned:

a) Burials and Cemeteries

b) Rental for the use of Municipal facilities.

7.5 The following services shall be considered as community services, and no tariffs shall be levied for their use:

a) Municipal swimming pool

b) Municipal museum, art gallery and reference library

c) disposal of garden refuse at the Municipal tip site

d) Municipal lending library (except for fines set out below)

e) Municipal botanical garden, and all other parks and open spaces

10.6 The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

a) maintenance of graves and garden of remembrance (cremations)
b) rentals for the use of Municipal halls and other premises
c) building plan fees
d) Photostat copies and fees

10.7 The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

a) penalty and other charges imposed in terms of the approved policy on credit control and debt collection;
b) Penalty charges for the submission of dishonored, stale, post-dated or otherwise unacceptable cheques.

10.8 Lease agreements shall be entered into for the lease of municipal properties. Where possible market related rentals will be levied.

11. BY-LAWS: SECTION 75 TO GIVE EFFECT TO POLICY

11.1 The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

11.2 Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.

12. POLICY ADOPTION

This policy has been considered and approved by the Council of **Nkangala District Municipality** on this day………… of …… 2015

ANNEXURE A: LEGAL REQUIREMENTS

LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

a) that users of municipal services must be treated equitably in the application of the municipality's tariffs;
b) That the amount individual users pay for services must generally be in proportion to the use of such services;
c) That Indigent households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for Indigent households;
d) That tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
e) That tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
f) That provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
g) That provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

h) That the economic, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged;
i) That the extent of subsidisation of tariffs for Indigent households and other categories of users must be fully disclosed.

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: GENERAL DUTY

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

KPA 3: Local Economic Development

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16 1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	Outer Year Targets 2016/17	2017/18	2018/19
Economic Development and Job Creation	Promotion of Economic Development	LED	No. of LED strategies reviewed and developed for LMs	**3.1**	N/A	R 1 500	NDM	1	N/A	N/A	N/A	4	4	4	4	4
			% review of District wide tourism strategy	**3.2**	N/A	R 1 500	NDM	New	N/A	N/A	N/A	1	1	1	1	1
			# of investors secured with respect to NDM's Anchor/Catalytic Projects	**3.3**	N/A	R 1 200	NDM	New	N/A	1	N/A	1	2	2	2	2
			# of EPWP Full Time Equivalent (FTE's) job opportunities provided through the implementation of LED and Capital projects (GKPI)	3.4	N/A	R 5 000	DL	308	18	18	18	18	72	72	72	72

KPA 6: Spatial Development

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16 1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	Outer Year Targets 2016/17	2017/18	2018/19
Humam Settlements	Sustainable Municipal Planning Through Integrated Spatial Planning	DPU	# of informal settlements formalised	6.1	N/A	R 5 000	NDM	New	N/A	N/A	N/A	5	5	5	5	5
			# of formal townships established	6.2	N/A	R 5 000	NDM	3	N/A	N/A	N/A	3	3	4	5	5
			# of reports submitted to Council with respect to households provided with formal housing units in the District	6.3	N/A	N/A	NDM	New	N/A	1	N/A	1	2	2	2	2
			# of Town planning policies reviewed/developed and approved by Council	6.4	N/A	R 2 000	NDM	5	N/A	N/A	N/A	5	5	1	1	1
			# of Land Audits conducted	6.5	N/A	R 3 000	NDM	1	N/A	N/A	N/A	6	6	N/A	N/A	N/A
			# of projects inplemented from the GIS Strategy	6.6	N/A	R 5 000	NDM	2	N/A	N/A	N/A	2	2	3	4	5
			# of projects implemented based on SPLUMA	6.7	N/A	R 500	NDM	3	N/A	N/A	N/A	2	2	2	3	1
Transport			Develop and submit to Council for approcal the District Integrated Transport Plan (DITP)	6.8	N/A	N/A	DOH		N/A	N/A	1	N/A	1	N/A	N/A	N/A

IDP

KPA 1: Institutional Development and Transformation

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16					Outer Year Targets		
									1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	2016/17	2017/18	2018/19
Organisational Restructuring and Transformation	To provide democratic and accountable Government for local communiies	OMM	% improvement in # of KPI's attaining organizational targets	1.8	N/A		NDM	New	N/A	N/A	N/A	10%	10%	10%	10%	10%

KPA 2: Good Governance and Public Participation

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16					Outer Year Targets		
									1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	2016/17	2017/18	2018/19
Good Governance	To Encourage the Involvement of Communities and Community Organisations In the matters of Local Government	OMM	% of MPAC resolutions raised and resolved per quarter	2.1	N/A	N/A	NDM	New	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
			% achievement to resolve issues raised on the Audit Action Plan	2.2	N/A	N/A	NDM	New	100.0%	100.0%	100.0%	100%	100%	100%	100%	100%
			% of risks identified relating to the possible occurrence of fraud and/or corruption that have been resolved	2.3	N/A	N/A	NDM	New	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
			Improve Auditor General Opinion - Unqualified with no matters	2.4	N/A	N/A	NDM	Qualified Opinion	N/A	1	N/A	N/A	1	1	1	1
			% of AG Management Letter findings resolved by year end (Total organization)	2.5	N/A	N/A	NDM	New	90.0%	90.0%	90.0%	90.0%	90.0%	100.0%	100.0%	100.0%
Research and Development			# of Community Satisfaction Surveys conducted on the work of the District	2.6	N/A	R 500	NDM	New	N/A	N/A	N/A	1	1	1	1	1

KPA 4: Financial Viability and Finance Management

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16					Outer Year Targets		
									1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	2016/17	2017/18	2018/19
Financial Viability	To implement sound Financial management practices	OMM	% spend of the Total Operational Budget	4.7	N/A	N/A	NDM	New	N/A	N/A	N/A	100.0%	100.0%	100.0%	100.0%	100.0%

IDP

KPA 5 - Basic Service Delivery and Infrastructure

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16					Outer Year Targets		
									1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	2016/17	2017/18	2018/19
Water and Sanitation	To Ensure the Provition of Services to Communities in a Sustainable Manner	Technical Services	Number of Sanitation projects (as submitted by the LM,s)completed	5.1	N/A	R 28 089	NDM	10	N/A	Project inception and designs	Procurement and appointment of Contractor	50% project progress	6	5	3	TBA
			Number of Water projects (as submitted by the LM's)completed	5.2	N/A	R 56 993	NDM	8	Procurement and Appointment of Consultant	Project inception and designs	Procurement and appointment of Contractor	50% project progress	14	4	3	TBA
Electricity Supply			Number of Electricity projects (as submitted by the LM's)completed	5.3	N/A	R 4 914	NDM	1	Procurement and Appointment of Consultant	Project inception and designs	Procurement and appointment of Contractor	50% project progress	2	1	0	TBA
Roads and Storm water			Number of Roads and Stormwater projects (as submitted by the LM's)completed	5.4	N/A	R 62 420	NDM	8	Procurement and Appointment of Consultant	Project inception and designs	Procurement and appointment of Contractor	50% project progress	15	19	7	TBA
Project Management			% spend of new Capital projects in terms of budget (NDM funded projects)	5.5	N/A	R 152 417	NDM	27	Procurement and Appointment of Consultant	Project inception and designs	Procurement and appointment of Contractor	50% project progress	37	29	13	TBA

IDP

KPA 1: Institutional Development and Transformation

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16					Outer Year Targets		
									1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	2016/17	2017/18	2018/19
Organisational Restructuring and Transformation	To provide democratic and accountable Government for local communites	Corporate Services	% approved critical positions filled within three months (task13 and above)	1.1	N/A	N/A	NDM	New	N/A	N/A	N/A	100.0%	100.0%	100.0%	100.0%	100.0%
			% approved vacant positions (previously filled) appointed within (3) months	1.2	N/A	N/A	NDM	New	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
			% of employees from previously disadvantaged groups appointed in the three highest levels of management as per the approved EE plan (GKPI)	1.3	N/A	N/A	NDM	New	N/A	N/A	N/A	100.0%	100.0%	100.0%	100.0%	100.0%
			No of HR policies reviewed/developed	1.4	N/A	N/A	NDM	9	N/A	N/A	N/A	9	9	9	9	9
			% of budget spent implementing the Workplace Skills Plan (GKPI)	1.5	N/A	R 5 000	NDM	R 2 100	N/A	N/A	N/A	100.0%	100.0%	100.0%	100.0%	100.0%
Youth	To Encourage the Involvement of Communities and Community Organisations In the matters of Local Government		Annual Youth Summit convened	1.6	N/A	R 300	NDM	1	N/A	N/A	N/A	1	1	1	1	1
			Intergrated Youth Development Strategy developed	1.7	N/A	R 400	NDM	New	N/A	N/A	N/A	1	1	N/A	N/A	N/A

KPA 5 - Basic Service Delivery and Infrastructure

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget R 000's	Source	Baseline 2013/14	2015/16					Outer Year Targets		
									1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	2016/17	2017/18	2018/19
Environmental Management	To Ensure the Provition of Services to Communities in a Sustainable Manner	Social Services	% of atmospheric emission license applications finalised as compared to application received as per NEM Air Quality Act, 2004	5.6	N/A	N/A	NDM	New	N/A	N/A	N/A	70%	70%	75%	80%	80%
Emergency Service			# of educational campaigns implemented ito fire prevention, natural disaster awareness	5.7	N/A	R 180	NDM	New	1	2	1	2	6	6	6	6
Health	To Promote Social Development		% of water samples taken per month that do not comply to SANS 241 and that are formally reported to the LM's to implement corrective action	5.8	N/A	R 1 200	NDM	100%	100%	100%	100%	100%	100%	100%	100%	100%
			# of HIV/AID's educational awareness campaigns implemented to capacitate and build communities	5.9	N/A	R 125	NDM	8	2	2	2	2	8	8	8	8
			# of programmes impemented in terms of mainstreaming with resprct to HIV/AIDS, gender, disabled, woman and children	5.10	N/A	R 850	NDM	8	2	3	1	2	8	8	8	8

IDP

KPA 4: Financial Viability and Finance Management

Priority Issue	Strategic Goal	Owner	KPI	IDP Link	SDBIP Ref No	Budget	Baseline 2013/14	2015/16					Outer Year Targets		
								1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	2016/17	2017/18	2018/19
Financial Viability	To implement sound Financial management practices	Finance	# of SCM deviation reports submitted to the MM (Total Administration)	4.1	N/A	N/A	12	3	3	3	3	12	12	12	12
			Cost coverage ratio (GKPI)	4.2	N/A	N/A	8.85:1	N/A	N/A	N/A	Not less than 8.85:1	Not less than 8.85:1	Not less than 8.85:1	Not less than 8.85:1	Not less than 8.85:1
			Approval of MTREF Budget by the 31st May (annual)	4.3	N/A	N/A	1	N/A	N/A	N/A	1	1	1	1	1
			Annual Financial Statements (AFS) submitted on or before the 31st August 2015	4.4	N/A	N/A	1	1	N/A	N/A	N/A	1	1	1	1
			# of quarterly section 52(d) MFMA reports submitted to Mayoral committee within legislative timeframes	4.5	N/A	N/A	4	1	1	1	1	4	4	4	4
			Section 72 (midyear) MFMA reports submitted to Mayoral committee within legislative timeframes	4.6	N/A	N/A	1	N/A	N/A	1	N/A	1	1	1	1